BENEFICIAL CORPORATION
ANNUAL REPORT 1982

About the Company

Beneficial Corporation is one of the largest diversified financial services companies in the world. Total corporate assets exceed $6 billion. Beneficial provides consumer finance services in the United States, Canada, the United Kingdom, Australia, West Germany, Japan, New Zealand and Ireland.

Consumer finance, with $4 billion in receivables, is the cornerstone of Beneficial's business and the basis of the Company's market franchise. Within consumer finance, real estate secured loans represent Beneficial's key market, with outstandings of almost $2.2 billion. Beneficial Corporation also participates in the banking industry through Beneficial National Bank, our Wilmington, Delaware-based commercial banking subsidiary. Importantly, Beneficial National Bank is the conduit through which Beneficial issues MasterCard and Visa credit cards, another rapidly growing, prime market for Beneficial.

Beneficial is also a major source of insurance services, principally for consumers, but also for corporations. Through the Beneficial Insurance Group (BENICO), whose assets exceed $1 billion, Beneficial provides a wide variety of life, annuity, accident and health, and property and liability insurance coverages. Consumer credit insurance is BENICO's largest profit source.

Beneficial has a significant position in the leveraged and conventional leasing markets through our Beneficial Leasing Group subsidiary. Commercial finance activities are also being developed.

Western Auto Supply Company represents Beneficial's Merchandising Division. Western Auto is a hard goods retailer specializing in automotive supplies and service.

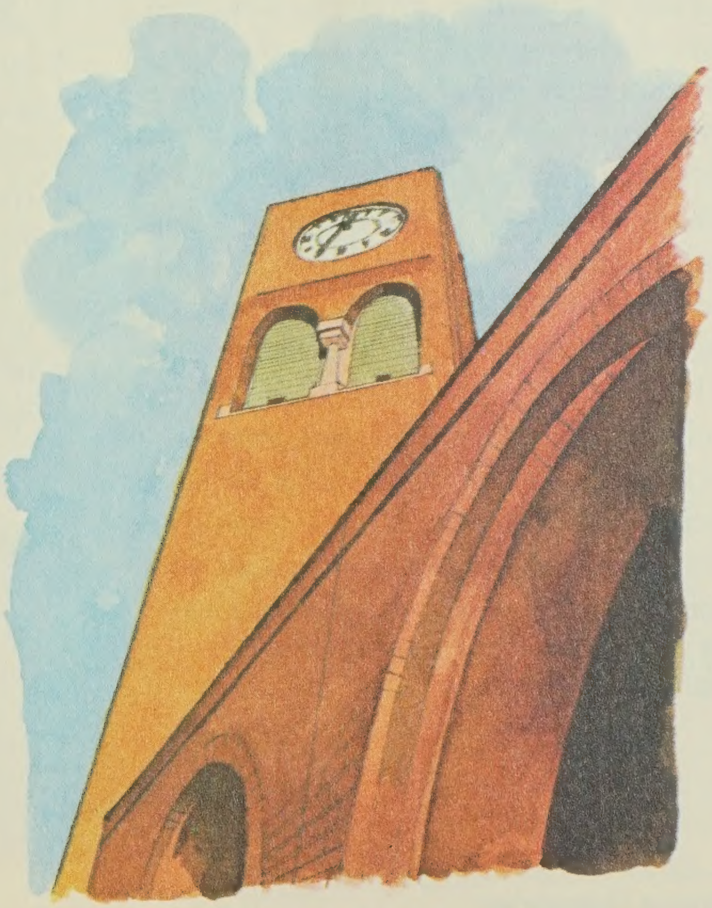
Pictured on the cover are flags flying above the new headquarters of Beneficial Corporation subsidiaries, Beneficial Management Corporation and BENICO Inc., in Peapack, New Jersey.

Beneficial Corporation

(in millions) Years Ended December 31	1982	1981	1980	% Increase (Decrease) 1982 over 1981	1981 over 1980
Consolidated					
Income From Continuing Operations	$ 78.3	$ 66.7	$ 99.9	17.4%	(33.2)%
Loss From Discontinued Operations	(109.7)	(74.4)	(6.1)		
Net Income (Loss)	(31.4)	(7.7)	93.8		
Earnings Per Common Share					
Continuing Operations	2.73	2.22	3.71	23.0	(40.2)
Discontinued Operations	(4.90)	(3.33)	(.27)		
Net Income (Loss)	(2.17)	(1.11)	3.44		
Dividends Per Common Share	2.00	2.00	2.00	—	—
Shareholders' Equity at End of Year*	910.3	1,003.5	1,079.7	(9.3)	(7.1)
Finance Division					
Revenue	$1,440.0	$1,466.1	$1,323.2	(1.8)	10.8
Net Income	76.7	61.9	100.6	23.9	(38.5)
Principal of Finance Receivables**	4,256.3	4,445.8	4,252.9	(4.3)	4.5
Average Account Balance**	2,048	1,811	1,344	13.1	34.7
Reserve for Credit Losses as % of Principal of Finance Receivables**	4.42%	4.42%	4.58%		
Merchandising Division					
Net Sales and Other Revenue	$ 599.7	$ 645.7	$ 669.5	(7.1)	(3.6)
Net Income	12.6	12.0	4.8	5.0	150.0

*Includes Redeemable Preferred Stock of $125.0.

**At end of year.



To Our Shareholders

We are pleased to report improvement in Beneficial's operating earnings performance in 1982. Earnings from continuing operations (excluding the results of First Texas Financial Corporation, which was sold in November) increased to $78.3 million from a restated $66.7 million in 1981. On a per share basis, earnings from continuing operations rose to $2.73 from a restated $2.22 per share in 1981.

From an overall net income perspective, including First Texas' operating losses and the loss on its sale, Beneficial recorded a net loss of $31.4 million, compared to a $7.7 million net loss in 1981, which included a $40.7 million aftertax writeoff taken on the sale of Spiegel, Inc.

On November 3, Beneficial completed the sale of First Texas Financial Corporation, our savings and loan subsidiary, to individual investors for a package of notes. Final terms of the sale resulted in loss on disposal, after tax benefits, of $78.5 million. Clearly, this was a very substantial writeoff and a painful decision for Beneficial. But as indicated by the disparity of the two earnings comparisons outlined above, removal of First Texas' huge operating losses (which had been an increasing burden over the last two years) significantly improves Beneficial's overall earning power. Also, assuming First Texas eventually returns to adequate profitability, Beneficial will potentially receive total interest and principal payments from First Texas of more than $107 million over the next 10 years under the terms of sale, with approximately 78% of the proceeds due in a final, bullet maturity in 1992. Thus, Beneficial should potentially receive substantial cash payment for First Texas if industry fundamentals continue their improvement and remain healthy.

Beneficial's recovery in operating profits in 1982 is encouraging. Earnings of the Finance Division, our core business, increased 23.9% to $76.7 million from $61.9 million in 1981. The Consumer Finance Group profit comparison was particularly robust, as earnings surged to $54.5 million from the greatly depressed $11.1 million of 1981. However, Insurance Group profits fell sharply, declining to $37.5 million from $63.1 million in 1981.

Insurance earnings were significantly reduced by a special, one-time $30 million pretax ($16.2 million aftertax) provision taken at year end for property and casualty loss reserve strengthening and for potential reinsurer insolvencies. This charge, which is discussed more fully in the BENICO Insurance Group section of this report, reflects the continuing depressed state of the property and casualty insurance underwriting cycle. The charge provides for all known and anticipated losses in the book of business.

Wider lending spreads and improved operating efficiency in the field were the driving forces behind the dramatic recovery in Consumer Finance Group profitability.

Finn M. W. Caspersen, Chairman of the Board and Chief Executive Officer, foresees improved operating conditions for Beneficial Corporation in 1983 and 1984.

These factors offset the drag effects of a modest 4.3% decline in the receivables portfolio and relatively high loan delinquency and net chargeoffs. Clearly, the severe economic recession in the United States during 1982 had a significant effect on Beneficial's receivables portfolio.

Economic weakness also affected the performance of Western Auto Supply Company and subsidiaries, which constitute Beneficial's Merchandising Division. Despite a 7.1% decline in net sales and other revenue, Western's net income increased slightly to $12.6 million from $12.0 million in 1981, owing to the inclusion of $5.5 million in aftertax gains on the disposal of distribution centers and the repurchase of debentures.

On balance, Beneficial's financial performance in 1982 was still unacceptable, but signs of improvement in key operating fundamentals, particularly in the Consumer Finance Group, are clearly apparent.

Undeniably, the financial services industry in the United States is undergoing a critical period of change. Old distinctions between institutions and their marketshare "turfs" are rapidly eroding. The rate of change in the industry has accelerated dramatically from its former evolutionary pace. Similarly, consumers' sophistication about financial services has increased markedly. In short, the financial services business is a much more complicated, dynamic, and difficult enterprise than it was as few as five years ago. Accordingly, future industry developments are uncertain.

Yet, it is clear that Beneficial brings many powerful strengths and weapons to this battle. Foremost is the expertise of our operating management in providing consumer credit products. Also key is our market franchise as an approachable, prompt, cooperative source of consumer credit. In reality, as well as perception, "at Beneficial, you're good for more." Compared to many of our banking and thrift industry competitors, we are relatively free of restrictive regulation. Through our small Delaware banking operation we maintain full membership in the commercial banking system with access to the complete product array that banking allows. Through our 1152 domestic loan offices we have a physical presence in all the attractive markets we perceive, via the highly flexible mode of short-term leases—not through the oftentimes burdensome ownership of substantial networks of bricks and mortar.

After an admittedly painful bout of credit rating downgrades, our financial strength is again on the uptick. Our financial position is extremely liquid, and Beneficial can raise substantial quantities of funds both quickly and at attractive rates. Our $3.6 billion of long-term debt represents approximately 85% of our funding, and is the foundation of our financial strength, with an average cost that is still under 10%. Significantly, the funding advantage that depository institutions may have enjoyed in the past now appears to have largely evaporated, given the birth of costly money market and super-NOW checking accounts. Of prime importance, as a total corporation, Beneficial has the ability to react quickly, marshalling these resources to move with developing trends in the market. Now free from the distractions of the serious earnings drain of First Texas Financial Corporation, these basic strengths in our core business are much more apparent.

As this report goes to press the U.S. economy appears to be evidencing some modest, early signs of recovery from the recent severe recession. Assuming these signals are accurate, and the recovery in consumer economic fundamentals strengthens and carries through, Beneficial should enjoy improved operating conditions during 1983. Credit quality of the portfolio already shows some signs of improvement, both as to delinquency and net chargeoff percentages. The receivables portfolio appears poised to resume growth after the normal seasonal post-Christmas run-off. Short-term debt is at a quite modest level, largely insulating our earnings stream from the possibly volatile impact of interest rates. While we face particularly difficult earnings comparisons in the first half of 1983 (against 1982 profits from continuing operations restated upwards for the disposal of First Texas), the outlook for the second half of the year and 1984 is brighter.

We wish to thank our shareholders and our employees for their support during a trying period for our Company. Beneficial is now shaking off the after-effects of the economy's impact, and of our past mistakes. We look forward to more fully capitalizing on our basic strengths in the future.

Finn M.W. Caspersen
Chairman of the Board
Chief Executive Officer

Gerald L. Holm
Vice Chairman of the Board

Robert A. Tucker
Office of the President
Chief Financial Officer

Earnings Summary

Given the sale of First Texas, Beneficial's results for previous years have been restated to make earnings from continuing operations comparable. The restatements reflect the removal of First Texas' operating results.

Earnings per common share are calculated after subtracting preferred dividends, which totaled $17.2 million in both 1982 and 1981.

Beneficial Corporation—Income From Continuing Operations

(in millions)	1982	1981	%Increase (Decrease)
Consumer Finance Group	$54.5	$11.1	391.0%
Insurance Group	37.5	63.1	(40.6)
Interest Expense (a)	(15.3)	(12.3)	
Finance Division	76.7	61.9	23.9
Merchandising Division	12.6	12.0	5.0
Interest Expense (b)	(11.0)	(7.2)	
Income From Continuing Operations	$78.3	$66.7	17.4
Earnings Per Common Share—Continuing Operations	$2.73	$2.22	23.0%

(a) Interest expense, after income taxes, related to investment in the Insurance Group.
(b) Interest expense, after income taxes, related to investment in the Merchandising Division.

Review of Fourth Quarter Results

Beneficial Corporation's fourth quarter income from continuing operations (excluding First Texas' results) declined to a $0.3 million net loss from restated profits of $23.7 million in the 1981 quarter. Earnings per share from continuing operations (after preferred dividend requirements) fell to a net loss of $0.21 from profits of $0.87 per share a year earlier.

Finance Division results fell sharply to a $1.1 million net loss from earnings of $22.9 million because of the special $16.2 million aftertax provision taken in the Insurance Group. Reflecting this charge, the Insurance Group recorded a net loss of $7.3 million compared to profits of $15.5 million in the fourth quarter of 1981. Consumer Finance Group earnings declined slightly to $10.1 million from $10.6 million. Western Auto's fourth quarter net income jumped to $5.1 million from $2.7 million in 1981 thanks to the inclusion of a $2.5 million aftertax capital gain on the sale of its Baltimore distribution center in 1982 results.

Full fourth quarter income statements for each of Beneficial's Divisions are presented within the Financial Section of this report.

Financing

U.S. interest rates staged a dramatic decline during the latter half of 1982 and ended the year substantially below the extremely high levels experienced during most of the last several years. As indicated in the table below, the Company's average short-term borrowing cost in the United States (including the effect of bank compensating balances and fees) averaged 14.09% for the year, down sharply from an onerous 17.17% in 1981. Noteworthy is the magnitude of the decline from the third quarter of 1981's apex of 18.50% to the fourth quarter of 1982's 9.69%.

Short-Term Borrowing Cost—United States

	1982	1981	1980
1st quarter	14.56%	18.27%	14.70%
2nd quarter	15.59	16.16	15.44
3rd quarter	12.72	18.50	9.79
4th quarter	9.69	15.26	14.98
Full year	14.09%	17.17%	13.63%

Overseas, short-term interest rates were much slower to decline, but by year-end short-term money costs had also fallen in all of Beneficial's overseas markets. Beneficial has substantial short-term borrowings in Canada, England, Australia and West Germany. The average short-term borrowing cost for foreign operations is disclosed in the table below.

Short-Term Borrowing Cost—Foreign Operations

	1982	1981	1980
1st quarter	14.67%	12.25%	11.55%
2nd quarter	17.97	12.05	13.31
3rd quarter	15.57	13.77	15.52
4th quarter	15.05	15.74	9.40
Full year	15.71%	13.73%	12.76%

A key corporate goal for Beneficial in 1982 was the reduction of short-term debt from the particularly high level outstanding at the end of 1981. Such a reduction was necessary to reduce the potential impact of volatile short-term interest rates on earnings, to strengthen the balance sheet, and to prepare for the refinancing of substantial maturities of long-term debt over the next several years. Accordingly, total short-term debt was reduced from over $1.0 billion at the end of 1981 to $432.0 million at December 31, 1982. This amount was further reduced early in January 1983 by the payment of a $75 million upstream dividend from Beneficial's insurance subsidiaries to the parent company. At its recent early January level, total commercial paper and bank debt represented only about 9% of Beneficial's total borrowings, down substantially from 23.7% at the end of 1981.

The reduction in short-term debt was partially the result of the year's $189.5 million contraction in the receivables portfolio, but Beneficial also was active in the capital markets during the first half of the year.

FINANCING

During the year, Beneficial completed three bond issues in Europe. In February, our offshore finance subsidiary, Beneficial Overseas Finance N.V., sold $150 million principal amount of "zero coupon" notes in the European capital markets. (Zero coupon notes are sold on a discount basis, and do not pay any interest until maturity.) With a final maturity in 1990 and an optional "put" back to the company at the holder's option in 1987, the issue yielded cash proceeds of approximately $49 million. Effective cost of the issue to the terminal maturity was approximately 14.48%, a savings of at least 50 basis points over the cost of a comparable maturity bond issue for Beneficial in the U.S. at the time. In April, Beneficial Overseas completed a particularly attractive Euro-Deutsche Mark financing, selling DM 100 million ($42 million) of 9.5% notes due in 1989. Approximately one-third of the proceeds were used in the Company's West German consumer finance operations, with the remainder ultimately applied to

pay down domestic short-term debt. Since the financing offset an existing net asset exposure in Deutsche Marks for Beneficial, no foreign exchange hedge was necessary, and the deal was done effectively "naked," preserving the particularly low net cost of the financing. Finally, in May, Beneficial Overseas sold $50 million of 14.5% notes due 1987, with warrants attached enabling the holders to purchase (any time until November 15, 1984) up to $100 million of notes due 1992 at a rate of not less than 14.75%. Attachment of the relatively long-lived warrants enabled Beneficial Overseas to save approximately 150 basis points over a similar straight debt issue. Additionally, it is expected that the warrants will not be exercised until their maturity in 1984, when Beneficial has particularly heavy refunding requirements. Thus, the warrants will very likely assist Beneficial in meeting our 1984 financing needs.

FINANCING

Domestic term financing efforts centered on sale of medium-term notes directly to investors. Beneficial Securities, Inc., our broker-dealer subsidiary, received all necessary regulatory approvals during the year and began selling these notes directly, as well as in conjunction with our investment bankers. Maturity brackets for this program, which began in mid-December of 1981, were extended from the original nine months to five years out through ten years. Aggregate sales during the year were $210 million, of which $37 million was sold directly by Beneficial Securities.

Additionally, a significant financing was completed in June, when subsidiaries of Beneficial sold, and leased back, their new headquarters complex in Peapack, New Jersey. The sale, for $134.4 million, was made to Hamilton Associates, a partnership formed by Blyth Eastman, Paine Webber and Merrill Lynch, Pierce, Fenner & Smith as general partners, with shares of limited partnership interest sold to individual investors. Ownership of the underlying land was retained by Beneficial. Mortgage financing was provided by the retirement systems of the State of California.

Beneficial's huge $3.6 billion portfolio of long-term debt is a key corporate asset, and represents the cornerstone of the Company's funding base. The embedded average rate on this portfolio remains at an extremely attractive 9.89% at year end, up only slightly from 9.70% at the end of 1981. Reflecting the powerful stabilizing influence of this base, Beneficial's worldwide, melded average borrowing cost of all debt, short and long, is considerably less volatile than short-term money costs. As indicated in the table below, Beneficial's overall, worldwide cost of funds receded to 10.88% in 1982 from 11.53% in 1981.

Worldwide Melded—Average Borrowing Cost

	1982	1981	1980
1st quarter	11.29%	11.18%	10.29%
2nd quarter	11.29	11.27	10.67
3rd quarter	10.94	12.15	9.07
4th quarter	10.48	11.43	10.75
Full year	10.88%	11.53%	10.16%

Beneficial's domestic short-term financing is effected mainly through the direct issuance of commercial paper to institutional investors. Bank lines of credit are conservatively maintained at a level well in excess of commercial paper outstandings at any one time. Total domestic bank lines were reduced during the year to $707 million with 112 banks at the end of 1982, with further reductions planned in early 1983. Additionally, during 1982, cash fee and compensating balance arrangements paid to line banks were renegotiated downward. Overseas, the Company continues to maintain lines of credit with 75 foreign banks, where proportionate reliance on short-term funding is somewhat higher than in the United States due to the lack of a consistently available, well-developed term debt market for private enterprises in several countries in which Beneficial operates.

Deposits also play a modest role in Beneficial's short-term funding. At December 31, 1982, total deposits were $223.6 million, up from $183.0 million a year earlier. Of the 1982 year-end amount, $96.5 million represented employee savings accounts, with the remainder generated from Beneficial's thrift units in Ohio, Florida, and Colorado. Deposits generated in Beneficial's Ohio thrift subsidiary represent the lion's share of the non-employee total.

Beneficial Corporation's commercial paper is rated "A-1" by Standard & Poor's Corporation and "Duff-1" by Duff & Phelps Inc. Moody's Investors Service accords the paper a "P-2" rating. Given Beneficial's basic financial strength, low level of short-term debt, and exceptional liquidity, management strongly disagrees with the lower Moody's rating. Beneficial's senior long-term debt is rated "A" by Standard & Poor's, "6" (mid-range A) by Duff & Phelps, and "A-3" by Moody's.

Consumer Finance Group

U.S. consumer finance operations are the backbone of Beneficial Corporation, directly accounting for nearly 66% of total assets. As previously stated, the Company is functioning in an increasingly complex environment. We would like to point out the major challenges that are being encountered, the actions that have been taken, and the effects these actions have had, and will continue to have, on performance.

The Environment

There are various forces driving the change within the industry today.

- Economic factors have greatly impacted the business environment. Inflation has significantly escalated operating costs, making profitable delivery of credit products at reasonable rates (especially small unsecured loans) extremely difficult. Cost efficient delivery of services is essential for future success. Inflation has also contributed to the recent year experience of markedly higher interest rates, thereby forcing some borrowers out of the market entirely because of unmanageable monthly payment requirements. Inflation has likewise served to

stimulate demand for more flexible credit instruments. Recession and unemployment have had profound impact on both industry growth and profitability. These influences require close examination of regional economic characteristics and credit evaluation techniques, combined with a marketing strategy targeting growth only in desirable geographic and demographic segments.

- Legislation, especially bankruptcy laws and partial deregulation, has resulted in both obstacles and opportunities. The recessionary climate plus the liberalized bankruptcy laws have dramatically increased the risk of loss within the unsecured loan segment, forcing finance companies to reconsider traditional product offerings to preserve profitability. Resultant changes in competitive positioning are further amplified by deregulation. The whole complexion of the industry is changing, with many of our traditional, as well as untraditional, competitors reassessing direction of product line, customer orientation, and competitive strengths, resulting in an extremely dynamic environment.

- The final factor that will inevitably shape the future of the industry is technology. Technology is now affecting not only cost efficiency, but also packaging and distribution of financial products. Technological expertise greatly influences the ability to compete effectively.

Actions and Performance

Consumer Finance Group (CFG) net income rebounded sharply in 1982 from the prior year's particularly depressed level. Earnings increased to $54.5 million from only $11.1 million in 1981. Results for 1981 included an $8.4 million special pretax provision for restructuring costs and a $6.4 million net aftertax loss on foreign exchange translation. Reflecting the reduction in Beneficial's average cost of funds during the year, lending spreads recovered from 1981's low level. For the year, the ratio of CFG spread income (total revenues minus interest expense) to the average principal of receivables widened to 13.51% from 12.39% in 1981. Cost cutting efforts in field operations and at headquarters continued actively in force, and the ratio of CFG operating expenses (all expenses except interest and the provision for credit losses) to average receivables declined modestly to 8.46% from 8.67% in 1981 (the 1981 calculation excludes the $8.4 million provision for restructuring costs). Improvement in these ratios offset the negative impact of a significant increase in net chargeoffs to 2.45% of average gross receivables from 2.17% in 1981.

Through a program of tactical and strategic optimization in which state activity was refocused and retrenched, the Consumer Finance Group continued to refine the concentration of its activities to the most attractive locales. Domestic activities centered in those states offering combinations of reasonable regulation as to rate and method of operation, healthy state economies, and sufficient market size to provide for economies of scale in operating costs. The U.S. marketing thrust currently centers on approximately 40 states, with significant concentration among the 10 largest, as indicated by the table below. California remains particularly large.

Largest States

	Number of Offices	Principal of Receivables*	% of U.S. Total
California	187	$1,022.5	32.4%
Ohio	108	262.1	8.3
Pennsylvania	111	251.5	8.0
New York	89	238.0	7.5
Texas	80	158.9	5.0
New Jersey	40	132.4	4.2
Florida	37	77.4	2.5
Indiana	27	60.5	1.9
Kansas	26	59.9	1.9
Illinois	33	58.8	1.9

* In millions. Excludes bank credit card receivables.

The ten largest states collectively represent 73.6% of the U.S. total of $3.2 billion in loan office receivables.

Reflecting the focusing of marketing efforts and general cost control pressures, the number of consumer finance offices declined substantially again in 1982. As indicated by the table above, the office network has declined by almost 1,000 since the end of 1979. Some new offices will be opened in attractive locales in 1983, but on balance, the office network may be reduced marginally.

Consumer Finance Offices

(at 12/31)	1982	1981	1980	1979
United States	1,152	1,461	1,898	2,047
Canada	112	137	159	178
Australia	88	101	114	105
United Kingdom	68	71	64	55
Japan	12	12	13	7
West Germany	7	7	7	6
New Zealand	3	3	2	1
Ireland	2	1	1	0
Total	1,444	1,793	2,258	2,399

Through this program of office closings, total employment in the loan offices was reduced to just under 5,100 at year end, down from 6,700 a year earlier and a peak of slightly over 10,000 employees at the end of 1979. Cash invested (net receivables) per employee, a key measure of efficiency, increased to $708,500 at December 31 from $598,500 a year earlier, a gain of more than 18%. Cash invested per office increased from $2,263,000 to $2,565,000, an increase of 13.3%.

Asset commitments will continue to be redeployed within the consumer finance business to emphasize the product, customer, and geographical areas in which a relative advantage is maintained.

Reflecting the weak economy, consumer loan demand was quite soft in 1982. Beneficial's receivables portfolio declined $189.5 million during the year to $4.26 billion at December 31, 1982. The portfolio declined in every quarter of the year except the fourth, when outstandings grew $51.3 million largely due to a $40 million purchase of bank credit card receivables from a Colorado bank.

Consumer Finance Group

Despite the overall portfolio runoff, real estate loans continued to increase in 1982, as indicated by the table below. Outstanding homeowner loans of $2.2 billion at December 31 represent 51.2% of the portfolio, up from 45.8% of Beneficial's portfolio at the end of 1981.

Under the continuing pressure of an unreasonable Federal Bankruptcy Act, unsecured lending remained sharply restricted, and the unsecured loan portfolio continued to run off. Sales finance outstandings also declined, although cautious growth in sales finance activity resumed in the fourth quarter. Bank credit card receivables, originated by our subsidiary, Beneficial National Bank, and immediately transferred to Peoples Credit Co. for servicing (see below), showed excellent growth, more than doubling from the 1981 total. Leasing and commercial finance receivables also expanded moderately.

The composition of Beneficial's portfolio reflects a conscious strategic decision. To control the negative impact of both escalating operating costs and liberal bankruptcy laws, the corporation has established a minimum account size criterion, and continues to aggressively pursue real estate secured loans. Second mortgages are displacing the traditional unsecured loan in Beneficial's portfolio. There are significant incentives for this displacement from both the consumer's and Company's perspective. On the one side, the average monthly payment per dollar borrowed is considerably

Principal of Finance Receivables

at December 31 (in millions)	1982	1981	1980	1979
Real estate secured loans	$2,180	$2,035	$1,470	$ 831
Other loans	1,411	1,832	2,197	2,766
Sales finance contracts	184	241	326	475
Bank credit card receivables	220	106	92	92
Leasing and commercial finance receivables	261	232	168	100
Total	$4,256	$4,446	$4,253	$4,264

less on second mortgages, due to longer term and lower rate, making the monthly loan payment easier to handle for the borrower. On the other side, second mortgage lending is highly cost-efficient. Costs of making any loan, large or small (interview time, credit investigation, processing), are essentially the same. The only incremental expense for a real estate secured loan is the cost of the independent real estate appraisal, which averages about $100, and is, in some states, paid by the borrower. When these expenses are spread over numerically fewer but larger real estate secured loans, the operating costs per dollar loaned are much less than on small, unsecured obligations. Indicative of the size disparity, Beneficial's real estate secured loans made averaged $11,775 in 1982, while the average unsecured loan made in 1982 was $1,747. Credit losses and delinquency on real estate loans are markedly less than on unsecured loans. Nevertheless, during 1982 the average yield on the homeowner loan portfolio (including amortization to income of points) was only moderately lower than the unsecured loan yield.

The potential homeowner loan market size is huge. Total unleveraged housing equity (market value minus related mortgage loans) in the United States is believed to exceed one trillion dollars. Yet, outstanding second mortgage loans are only about $35 billion. Beneficial Corporation ranks among the very largest second mortgage lenders in the United States.

As mentioned, unsecured loan activities continue under tight restriction, and this segment of the portfolio ran off more than $400 million during 1982. Since the end of 1979 Beneficial's unsecured loan portfolio has declined by more than $1.3 billion. Unsecured loans continue to be made, but only to homeowners or customers with exceptional credit qualifications.

Similarly, sales finance lending is under tight controls, subject to rigorous credit quality, size, and pricing criteria. Sales finance activities continued to be a valuable potential "feeder" source of new loan customers. Delinquency in sales finance activities at year end was at its lowest level ever.

Revolving loan programs, both unsecured and secured by a second mortgage, showed good growth again in 1982. Outstandings increased to $184.4 million from $166.1 million at the end of 1981. Revolving loan programs involve the establishing of a pre-approved line of credit, accessible through checks issued to the consumer and drawn on Beneficial National Bank, our commercial banking subsidiary. Revolving loan programs are efficient, and consumers particularly appreciate the convenience of obtaining an additional loan advance without having to visit the loan office to reapply. Revolving homeowner loans have the lowest delinquency of any segment of the portfolio.

Ownership of the bank allows Beneficial to be an active participant in the revolving loan market, both through the "checkbook" and credit card modes, providing a response to consumer demands for convenience and flexibility. Revolving credit appears to be a key growth area in the future, particularly for attracting more affluent customers.

While still a relatively minor financial service for the Company, the Beneficial Income Tax Service had a good year in 1982, as revenues increased 3.7% to $6.6 million. Under the trade name "Tax Masters," the Beneficial tax service operates in Beneficial loan offices and other independent financial institutions such as banks, savings and loans, and credit unions.

Foreign Consumer Finance Receivables

(in millions)	12/31/82	12/31/81	12/31/80	12/31/79
Canada	$204.7	$231.1	$203.3	$227.0
Australia	206.5	234.6	183.1	155.4
United Kingdom	120.3	118.3	119.2	85.4
West Germany	63.8	64.0	74.2	90.7
Japan	12.4	14.3	8.7	2.7
New Zealand	18.2	14.5	9.5	4.7
Ireland	5.6	2.0	0.8	—
Total	$631.5	$678.8	$598.8	$565.9

In the international arena, as in the U.S., profitability of corporate commitments, and their prospects, vary significantly in different geographic regions. Operations are being assessed to assure profit optimization through product mix reemphasis and branch reconfiguration.

Foreign receivables decreased to $631.5 million, or 14.8% of the total CFG portfolio at the year end, down from 15.3% of total outstandings at the end of 1981, reflecting sluggish economic conditions in most of the countries Beneficial operates in. The strength of the U.S. dollar versus most foreign currencies also served to reduce foreign receivables totals as translated into dollars.

To enable the company to better capitalize on opportunities in the marketplace, Beneficial is instituting significant computer systems modifications. Objectives are: (1) to enhance the marketing potential of loan offices, (2) to increase effectiveness of supervision, and (3) to provide additional management information. The project has been examined closely to assure cost efficiency. Changes will include the use of minicomputers in regional centers connected to a "host" computer, and the installation of

minicomputers and CRT's in each office. This configuration will virtually eliminate handwritten record keeping in the loan offices and will assist managers in daily work scheduling by increasing the effectiveness of solicitation and collection efforts. Additionally, the office computer will allow office automation (word processing and filing), will pre-edit all information sent to the host system, permit institution of an electronic mail system, and enable Beneficial to offer more sophisticated new products. The enhancement will provide improved management information and will ultimately permit executives to directly access any information contained within the system. Flexibility is viewed as essential; therefore, the capability for future changes has been built into plans.

Credit Loss Experience–Condition of the Portfolio

Beneficial's credit loss experience deteriorated in 1982. As indicated in the table below, gross finance receivables charged off, net of recoveries, increased to 2.45% of average gross receivables outstanding from 2.17% in 1981. Chargeoffs from consumer bankruptcy remained high, increasing to $36.2 million from $32.6 million in 1981, but down from an extremely high $47.4 million in 1980. Far and away, losses from the unsecured portion of the portfolio were the major problem. However, in 1982, for the first time, Beneficial also sustained noticeable losses on real estate secured loans as well. Total writeoffs from real estate secured loans jumped to $25.5 million from a negligible $5.7 million in 1981. In perspective, 1982 was the first year in recent history when U.S. average home resale prices actually fell. In some areas of the country, especially in California, our major market, declines were particularly pronounced. In retrospect, it's clear that some mistakes were made early in our rapid growth in real estate loans. But these mistakes have now been recognized, and we view 1982 as a catch-up year in which we consolidated our exceptional recent gains and cleaned the portfolio of problem exposures. We are confident that real estate loan net chargeoffs will be significantly lower in 1983. And, even at their 1982 level of 1.2% of mean outstandings, real estate loan losses remain a fraction of unsecured loan writeoffs.

Credit Quality Measures

(amounts in millions)

Year	Provision for Credit Losses (a)	Gross Amount of Receivables Charged Off	Finance Receivables Charged Off (a): Amount	Finance Receivables Charged Off (a): % of Average Gross Finance Receivables	Reserve for Credit Losses at End of Year: Amount	Reserve for Credit Losses at End of Year: % of Finance Receivables at End of Year (b)	Consumer Loan Receivables More Than Two Months Delinquent (c)
1982	$114.9	$130.4	$114.3	2.45%	$188.3	4.42%	1.37%
1981	108.3	120.0	106.6	2.17	196.5	4.42	1.54
1980	107.2	124.7	114.7	2.34	194.8	4.58	1.55
1979	102.4	81.8	73.2	1.87	203.7	4.78	1.26
1978	70.9	59.0	51.1	1.57	147.8	4.90	1.15
1977	65.7	55.8	48.5	1.74	126.3	5.00	1.08
1976	60.4	54.8	48.4	2.04	106.3	5.10	1.19
1975	54.8	57.2	51.8	2.42	95.0	5.20	1.29

(a) Less offsetting recoveries.
(b) After deducting unearned finance charges.
(c) Excludes bank credit card receivables and receivables of West German bank.

Most importantly, Beneficial's conservative chargeoff policy brought about a significant improvement in delinquency percentages at year end. Consumer loan receivables more than two months delinquent totaled 1.37% at December 31, down from 1.54% at the end of 1981. Other delinquency measures also showed improvement at year end.

Management is optimistic that delinquency and net chargeoff percentages will both improve in 1983.

Beneficial National Bank

Beneficial's commercial banking subsidiary, Peoples Bank & Trust Company, took an important step forward at year end when it received a national banking charter from the Comptroller of the Currency and was renamed Beneficial National Bank. Based in Wilmington, Delaware, Beneficial National Bank brings to Beneficial Corporation the key strategic ability to issue and generate MasterCard and Visa credit card receivables. In addition, the bank provides Beneficial Corporation a "window" into the domestic commercial banking system. Access to the banking system is immediately valuable for cash management and deposit gathering purposes, and could be of vital importance if a true nationwide consumer electronic funds transfer system were to evolve in the United States. Beneficial National Bank is already a direct member of the Federal Reserve Bank wire.

Beneficial National Bank's average assets were $48 million in 1982, up from approximately $36 million in 1981. The institution is extremely well capitalized, with total capital and surplus in excess of $5 million.

Peoples Credit Co.

Peoples Credit Co. (PCC) is Beneficial Corporation's credit card subsidiary. MasterCard and Visa receivables originated by our commercial banking subsidiary, Beneficial National Bank, are immediately transferred to PCC. Both based in Wilmington, Delaware as independent subsidiaries, Beneficial National Bank and Peoples Credit work quite closely together in developing Beneficial's credit card business.

Peoples Credit Co. had an excellent year in 1982. Credit card outstandings more than doubled to $219.9 million from $105.8 million a year earlier. Net income advanced strongly and made a noticeable contribution to the Consumer Finance Group's profit improvement despite PCC's still relatively small size. In November the company acquired the Visa and MasterCard portfolio of Intra-West Bank of Denver N.A., formerly The First National Bank of Denver. This high-quality portfolio consisted of approximately 100,000 accounts with over $40 million in outstandings.

Peoples Credit now services more than 400,000 individual credit card accounts. While accurate comparative statistics are not readily available, PCC's bank credit card portfolio is believed to rank among the 15 largest in the country.

PCC is a leading issuer of the new "premium" bank cards—the gold MasterCard card and the premium Visa card. These premium cards are designed to appeal to upscale customers, offering unsecured credit lines of $5,000 or more and a variety of travel and entertainment benefits. Gold MasterCard and premium Visa accounts issued by the Company carry a variable annual interest rate of prime plus 4%, subject to a floor of 18%, with a $1.50 monthly activity charge. Most of the growth in PCC's receivables during 1982 resulted from a dramatic increase in outstandings on premium card accounts.

Peoples Credit will continue to cautiously pursue acquisitions of regional bank credit card portfolios as well as continue to attract significant numbers of new customers on a direct basis. The highly automated nature of credit card processing makes it a business whose profitability benefits substantially from economies of scale. Accordingly, the excellent gains in PCC's outstandings during 1982 coupled with the portfolio's good credit quality bode well for strong gains in 1983 profits. And, given the pricing flexibility afforded under Delaware statutes, PCC is in an excellent position to continue to achieve significant, profitable growth in credit card outstandings in future years.

Leasing and Commercial Finance Group

The Leasing and Commercial Finance Group experienced only moderate growth during 1982. Recessionary economic conditions required stringent credit review for new loans and increased collection activity for the existing portfolio.

Beneficial Finance Leasing Corp., formed in 1979, engages primarily in the leveraged leasing and commercial financing of transportation equipment including commercial aircraft, railroad cars, locomotives, and container ships. Historically, depreciation and tax credits generated by these equipment leasing activities were used to reduce taxes otherwise payable by Beneficial Corporation. In 1982, for the second straight year, Beneficial was unable to absorb tax benefits generated by this type of leasing activity. Thus, emphasis on Beneficial Finance Leasing Corp.'s activities was reduced during 1982.

Beneficial Commercial Corporation has two divisions. The Equipment Leasing and Finance Division engages in middle market, non-leveraged, non-tax oriented leasing and financing with concentration on the machine tool, agricultural equipment, office machine, and health care equipment markets. These markets were severely impacted by the economy in 1982, resulting in a reduced volume of business and a significant increase in delinquencies and bankruptcies. Accordingly, the Equipment Leasing and Financing Division used 1982 to consolidate its portfolio and reorganize its internal operations and controls.

The Commercial Finance Division provides working capital financing secured by receivables and inventories to manufacturers, distributors, and wholesalers. Loans are made directly and in participation with commercial banks. Commercial finance receivables are generally written on a variable rate basis, thereby insulating the lender from interest rate risk. While general economic conditions caused a substantial reduction in the acquisition of capital assets by businesses in 1982, they also served to slow inventory and accounts receivable turnover, presenting an opportunity for expansion of working capital loans. Accordingly, the Commercial Finance Division experienced modest growth during the year.

Beneficial Funding Corporation received its license in December 1981 from the Small Business Administration to engage in lending under the SBA small business loan program. Loans approved under this program are insured by the SBA for up to 90% of principal.

BENICO

BENICO, the Beneficial Insurance Group, marked its first decline in earnings in eleven years in 1982. Net income fell 40.6% to $37.5 million from $63.1 million in 1981. BENICO's recent earnings comparisons have suffered from Beneficial's stress on real estate secured loans, which, traditionally, have carried lower rates of credit insurance penetration. Also, written premiums have been significantly affected by the substantial $294 million overall runoff in Beneficial's receivables portfolio over the past fifteen months. Finally, 1982 profits were substantially reduced by a special, one-time $30 million pretax provision taken at year end for property and casualty loss reserve strengthening and for potential reinsurer insolvencies.

The special year-end provision, which penalized earnings by $16.2 million, net of tax benefits, was taken in the American Centennial Insurance Company (ACIC), BENICO's principal property and casualty insurance company. The charge resulted from an intensive analysis of reserve levels done both internally and by two separate outside consulting actuarial firms. Of the $30 million pretax amount, $19 million related to general reserve strengthening across the whole book of property and casualty business, but particularly in general commercial liability. The remaining $11 million charge was for possible losses on the potential insolvencies of two insurance companies with which American Centennial has substantial reinsurance contracts. While neither company is yet insolvent, BENICO regards both as financially weak, so that it was considered prudent to provide for ACIC's full potential loss should both companies fail. Both provisions reflect the continuing depressed state of the property and casualty underwriting cycle. Every effort was made to be conservative in establishing the provisions, and these charges provide for all currently known and anticipated losses in American Centennial's book.

BENICO's primary thrust continues to be in the highly specialized consumer credit insurance market where the Group ranks among the industry leaders. BENICO is a full line credit insurance writer, offering credit life, accident and health, and property insurance—all related to consumer credit transactions. Through its Western National Life subsidiary, based in Amarillo, Texas, BENICO is also a major writer of annuity contracts, both conventional single premium deferred annuities and the fastest growing annuity product line, structured settlements (generally related to the settlement of large injury claims). BENICO life companies also issue modest amounts of ordinary life insurance.

Reflecting the aforementioned pressures on the credit insurance business and cautious underwriting of new property and casualty risks, BENICO's overall written premiums declined 2.3% to $453.2 million in 1982. Written premiums by lines of business over the past three years are disclosed in the table.

Earned premiums for the year declined 6.3% to $370.7 million from $395.7 million in 1981, reflecting the lag effect as previously written premiums are earned. As indicated in the facing table, only the property and liability line showed an earned premium increase.

Declines in credit insurance coverages written in connection with loans made by the Beneficial Consumer Finance Group office network contributed significantly to BENICO's overall premium softness. Beneficial Finance-related credit insurance written premiums fell 28.6% to $66.3 million in 1982, while comparable earned premiums declined 20.4%. The facing table provides a breakdown of BENICO's earned premiums, highlighting the contributions of individual lines of Beneficial-related credit insurance coverages.

Total Beneficial-related credit insurance earned premiums declined absolutely in 1982, and continued the steady progression of declining as a percentage of BENICO's total. Nevertheless, the Beneficial Consumer Finance

BENICO

Written Premiums—Lines of Business

(in millions)

	1982	1981	1980
Life	$ 83.4	$ 81.7	$ 77.1
Annuities	211.3	200.4	214.0
Accident & Health	47.9	71.4	56.0
Property & Liability	110.6	110.4	96.7
TOTAL	$453.2	$463.9	$443.8

Earned Premiums—Lines of Business

(in millions)

	1982	1981	1980
Life	$ 76.2	$ 79.7	$ 76.9
Annuities	132.1	143.3	67.7
Accident & Health	49.7	69.5	70.2
Property & Liability	112.7	103.2	95.3
TOTAL	$370.7	$395.7	$310.1

Earned Premiums

(in millions)

Year	Beneficial Finance Credit Life	Beneficial Finance Credit A&H	Beneficial Finance Credit Property	All Non-Beneficial Finance	Total
1982	$29.4	$20.0	$21.8	$299.5	$370.7
1981	31.2	25.8	32.5	306.2	395.7
1980	32.9	33.3	30.0	213.9	310.1
1979	30.8	33.8	23.8	129.1	217.5
1978	29.4	22.4	19.8	77.4	149.0
1977	24.7	20.0	17.0	52.6	114.3
1976	22.2	16.7	14.7	36.7	90.3
1975	18.9	15.6	11.6	23.4	69.5
1974	18.8	12.4	9.5	18.0	58.7
1973	17.0	15.4	2.6	9.7	44.7
1972	15.8	14.1	.8	7.3	38.0
1971	13.3	9.5	—	2.2	25.0

Group office network continues to be BENICO's largest single customer, generating 19.2% of BENICO's total earned premium in 1982, down from 22.6% in 1981. Significantly, Beneficial loan-related coverages represent a markedly greater percentage of BENICO's net income reflecting the marketing economies inherent in distributing products through the wholly-owned office network. Also, given the substantial losses taken in property and casualty reinsurance in 1982, Beneficial-related credit insurance earnings loom particularly large in the BENICO earnings picture.

BENICO continues to aggressively pursue outside credit insurance business written for other consumer lenders. Consumer loan operations of commercial banks, thrift institutions, smaller finance companies, automobile dealers and other retailers all represent attractive opportunities to leverage BENICO's established products, management expertise and market franchise. However, weak consumer loan demand during 1982 obviously impacted these markets as well, and total independent creditor written premium declined 17.2% to $27.4 million from $33.1 million in 1981. Earned premium fell 9.1% to $29.2 million.

Loss ratios on credit insurance are relatively predictable, generating strong profitability in virtually any general underwriting climate. BENICO's overall credit insurance loss ratios improved slightly in 1982, with the Beneficial-related business showing strong improvement.

BENICO Investment Portfolio

(in millions) at December 31	1982	% Total	1981	% Total	1980	% Total
U. S. Government Securities	$ 260.4	24.2%	$150.1	16.0%	$ 97.9	11.5%
Municipal Bonds	311.4	28.8	310.0	33.0	298.7	35.1
Foreign Government and Agency Obligations	31.7	2.9	37.7	4.0	41.2	4.8
Corporate Bonds	170.1	15.7	151.1	16.1	147.0	17.3
Preferred Stocks	49.1	4.5	45.5	4.8	52.0	6.1
Common Stocks	40.3	3.7	42.3	4.5	43.0	5.1
Policy Loans	14.9	1.4	14.5	1.5	13.1	1.5
Mortgages	96.1	8.9	92.6	9.9	83.0	9.8
Real Estate	13.4	1.2	10.6	1.1	9.1	1.1
Short-Term Holdings*	94.6	8.7	85.4	9.1	65.3	7.7
Total	$1,082.0	100.0%	$939.8	100.0%	$850.3	100.0%

*Chiefly commercial paper and certificates of deposit.

Benico

BENICO's net investment income growth continued strong in 1982. Pretax investment earnings increased 9.6% to $93.5 million from $85.3 million in 1981, although the average gross investment yield for the year decreased to 9.85% from 10.04% in 1981, partially reflecting the continuing substantial (but declining) proportion of tax free municipal bonds in the portfolio. Additionally, realized capital gains, net of applicable taxes, fell to $3.2 million from $3.9 million in 1981.

BENICO's investment activities continue to follow a quite conservative strategy, concentrating on high quality (A-rated or better) fixed income obligations. BENICO continues to maintain a quite significant position in U.S. Government securities — both direct issues of the Treasury and high-yielding issues of U.S. Government Agencies (GNMA, FHLMC, SBA, FmHA) carrying either the explicit or implicit guaranty of the U.S. Government. Mortgage activities, which are centered in Western National Life, our annuity company, concentrate on high-yielding commercial mortgages secured by full coverage leases of A-rated or better companies.

Needless to say, the dramatic rally in the bond market during the latter part of 1982 substantially narrowed the negative market value—carrying value differential in BENICO's bond portfolio. At December 31 the bond portfolio's market value was $94 million less than its carrying value, significantly improved from over $194 million underwater a year earlier and an absolute bottom of an almost $206 million differential on September 30, 1981.

On January 6, 1983 BENICO paid a $75 million upstream cash dividend to Beneficial Corporation. The full amount was withdrawn from BENICO's largest life company, The Central National Life Insurance Company of Omaha, which had built up a substantial excess capital position in recent years. The company remains extremely strong financially despite this substantial dividend. BENICO intends to maintain a regular policy of cash dividends to Beneficial in future years, although not as great as the recent withdrawal, which should be viewed as a one-time reallocation of capital.

The BENICO Group continues to be in a process of transition. Active efforts continue to increase credit insurance penetration on larger real estate secured loans. Also, new independent creditor clients are being actively pursued. Experiments continue with the marketing of conventional personal lines of insurance through the Beneficial loan offices, although actual production to date has been modest. Annuity and ordinary life sales are being stressed in subsidiaries Western National Life and Northwestern Security Life with generally excellent, profitable results, but not in sufficient size to markedly affect Group performance. Similarly, the Group's London subsidiary, Consolidated

Marine & General, is developing small amounts of profitable credit insurance in Great Britain. Beneficial International, the Group's flagship Bermuda company, continues to be a key asset to reinsure the credit insurance written by certain of Beneficial's foreign loan offices, with the reserves invested in a tax-free environment. Clearly, given the year end provisions, property and casualty reinsurance activities must now be carefully reassessed and scrutinized. On balance, BENICO continues to be mainly a credit insurance consortium; but a highly profitable one. Continued development of non-credit lines of business will be pursued in a disciplined manner. And over time, BENICO's continuing challenge will be to sell an increasing variety of insurance products to the higher-income customer that the Beneficial loan offices are now attracting.

Western Auto Supply Company

Western Auto Supply Company's 1982 consolidated net earnings of $12.6 million modestly exceeded 1981's profits of $12.0 million. Earnings were maintained, despite an extremely adverse retailing climate, as a result of a major restructuring of the merchandise distribution system. Consolidation of the distribution center network has allowed the sale of the St. Louis and Baltimore centers, producing total net, aftertax gains on disposal of $4.5 million. Also, gains on repurchase of debentures totaled $1.0 million aftertax. These special items offset a significant decline in operating earnings at Western Auto Supply. Subsidiary corporations Midland and Eva Gabor contributed net profits of $0.9 million, unchanged from a year ago.

Consolidated net sales and other revenue declined 7.1% to $599.7 million from $645.7 million in 1981. While the economic environment depressed store-for-store sales, the decline was primarily due to the continued pruning of marginal retail stores and inactive dealers. Total Western Auto retail merchandise sales fell 1.4% to $151.5 million from $153.6 million in 1981 as the number of company-owned stores declined from 263 at the beginning of the year to 227 at December 31. Wholesale merchandise sales fell 9.9% to $367.1 million from $407.4 million in 1981 as the number of active dealers was reduced to 2,554 from 2,701 at year-end 1981.

Western Auto Supply Company

Sharpening the merchandise focus and improving the overall quality of stores is vital to the improvement of sales in existing stores. Merchandising programs

that were initiated in 1982 to revitalize both dealer and company stores will be intensified in 1983 to strengthen Western Auto and prepare it to compete more effectively. As reported last year, the move to strengthen Western's automotive lines has been successful. The program gained momentum in 1982 as the number of company-owned stores converted to automotive supermarkets increased to 49. In 1983 at least 44 more company stores will be converted. In 1982 three dealer stores participated in a test to strengthen automotive lines. Sales increases generated were impressive, and 121 dealer stores have been targeted for strengthening of automotive lines in 1983.

During 1982, management developed a long-range plan to improve sales by expanding the number of stores served. A market test to supply parts and accessories to Goodyear's company-owned stores was initiated in October in Oklahoma City. Preliminary results are encouraging. Another part of the plan includes a new sales agency thrust that focuses recruiting efforts on strong, independently-owned tire stores, auto parts stores, and other hardware or home and auto stores in towns not presently served by Western Auto. More than 195 new sales agencies are already active. Western's plan is to demonstrate to these stores its ability as a supplier with a longer-term goal of converting these outlets to Western Auto associate stores.

Western Auto's inventory management in 1982 was outstanding in a period marked with declining sales and distribution center consolidations. Management of inventory in a period of declining prices demands new disciplines to which the merchandising division is alert.

Efficiency of the company's operational support units also continued to improve. Major data processing improvements have been installed, especially in the areas of point of sale and credit, with more underway. The truck fleet has significantly improved its productivity with back haul weight (saving inbound freight costs by picking up merchandise directly from suppliers) now exceeding 50% of total outbound freight. Fuel economy has benefited from the installation of new, highly-efficient diesel engines in the fleet.

Overall labor productivity increased due to a hiring freeze implemented early in the year. Further personnel savings will result from a one-time, voluntary early retirement program offered to selected employees at year-end. During 1982, the field sales force was reorganized to improve support of Western's sales development plan. The establishment of separate staffs for franchise development, telemarketing, and store operations will aid in plan execution.

Consolidation of the distribution center network has significantly improved operating efficiency through elimination of duplicate overhead and excess inventory carrying costs. In addition to the St. Louis and Baltimore closings (which were completed in 1980 and 1981, respectively), distribution centers in Portland, Oregon (July) and Jacksonville, Florida (October) were closed during 1982. The remaining six distribution centers can easily serve the Western Auto store network at a markedly higher level of efficiency. Gains on sale of the Portland and Jacksonville properties are anticipated in 1983.

From a balance sheet perspective, Western Auto remains extremely strong financially, with no short-term debt and only $30.7 million of long-term debt, chiefly maturing in 1996. Sinking fund requirements on the term debt have been met through a portion of 1987. Western's program of redeployment of assets is allowing the return of excess capital to Beneficial Corporation. A dividend of $25 million in consumer receivables was paid upstream to Beneficial at year end, and additional withdrawals are contemplated in 1983. At December 31 Beneficial's equity investment in Western Auto was $183.0 million, down from approximately $246 million in 1978.

The management of Western Auto is optimistic about the future but recognizes that a turnaround in sales revenue is essential to the long-term success of the company. To this end, the organization has its mission clearly in focus, and is committed to its strategy.

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Beneficial Corporation

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Beneficial Management Corporation

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Gerald L. Holm	
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BENICO Insurance Group

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Western Auto Supply Company

John T. Lundegard	Chairman of the Board and Chief Executive Officer

Beneficial National Bank

Frederick M. Dawson	President

Peoples Credit Co.

Joseph N. Scarpinato	President

Beneficial Corporation
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Beneficial Corporation and Consolidated Subsidiaries
Balance Sheet

(in millions) December 31	1982	1981
Assets		
Cash (includes compensating balances of $17.7 and $31.6)	$ 47.6	$ 49.7
Finance Receivables	4,630.9	4,916.5
Less Unearned Finance Charges	(374.6)	(470.7)
Principal of Finance Receivables (Note 4)	4,256.3	4,445.8
Less Reserve for Credit Losses	(188.3)	(196.5)
Insurance Policy and Claim Reserves (applicable to finance receivables)	(128.9)	(141.9)
Net Finance Receivables	3,939.1	4,107.4
Net Receivables Acquired From Merchandising Division (Note 5)	82.0	123.6
Investments (Note 6)	1,286.5	1,104.4
Equity in Net Assets of Non-Consolidated Subsidiaries		
Merchandising Division (Page 48)	183.0	195.4
Other	4.5	5.1
	187.5	200.5
Investments in and Advances to Discontinued Operations (Note 3)	33.0	210.1
Property and Equipment (at cost, less accumulated depreciation of $29.6 and $27.3)	102.3	197.6
Other Assets (Note 7)	385.0	379.9
Total	$6,063.0	$6,373.2
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 8)		
U.S. Currency	$ 265.5	$ 857.8
Foreign Currencies	166.5	184.5
	432.0	1,042.3
Deposits Payable (includes employee thrift deposits)	223.6	183.0
Accounts Payable and Accrued Liabilities (Note 9)	317.3	306.8
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	620.9	480.3
Long-Term Debt (Note 10)	3,558.9	3,357.3
Total Liabilities	5,152.7	5,369.7
Redeemable Preferred Stock (Note 12)	125.0	125.0
Other Preferred Stock (Note 11)	116.1	116.2
Common Stock (60.0 shares authorized, 22.2 shares issued and outstanding) (Note 11)	22.2	22.2
Additional Paid-in Capital (Note 10)	62.5	62.4
Net Unrealized Loss on Equity Securities (Note 6)	(13.7)	(25.4)
Accumulated Foreign Currency Translation Adjustments (Note 2)	(12.6)	—
Retained Earnings (Note 10)	610.8	703.1
Total	$6,063.0	$6,373.2

See Notes to Financial Statements.

Beneficial Corporation and Consolidated Subsidiaries
Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1982	1981	(in millions)	1982	1981	1980
		Finance Division			
$341.5	$391.4	**Revenue**	$1,440.0	$1,466.1	$1,323.2
		Expenses			
97.8	120.6	Interest (Note 1f)	425.2	458.7	395.4
39.8	47.7	Salaries and Employee Benefits	182.8	206.0	203.9
37.1	32.7	Provision for Credit Losses (less recoveries)	114.9	108.3	107.2
104.2	98.0	Insurance Policy Benefits Provided	347.1	327.2	228.1
72.5	57.3	Other	263.0	254.8	232.1
351.4	356.3	Total	1,333.0	1,355.0	1,166.7
(9.9)	35.1	**Operating Income (Loss)**	107.0	111.1	156.5
—	—	Provision for Restructuring Costs (Note 14)	—	(8.4)	—
—	—	Foreign Exchange Gain (Loss) (Note 1e)	—	(3.2)	(2.0)
(9.9)	35.1	**Income (Loss) Before Income Taxes**	107.0	99.5	154.5
(8.8)	12.2	Provision for Income Taxes (Note 15)	30.3	37.6	53.9
(1.1)	22.9	**Income (Loss) From Finance Division**	76.7	61.9	100.6
5.1	2.7	**Income From Merchandising Division**	12.6	12.0	4.8
(4.3)	(1.9)	Interest Expense, After Income Taxes, Related to Investment in Merchandising Division (Note 1f)	(11.0)	(7.2)	(5.5)
(.3)	23.7	**Income (Loss) From Continuing Operations**	78.3	66.7	99.9
		Discontinued Operations, After Income Taxes (Note 3)			
—	(14.4)	Income (Loss)	(25.3)	(21.8)	3.9
—	(2.6)	Interest Expense Related to Investment (Note 1f)	(5.9)	(11.9)	(10.0)
—	—	Loss on Disposal	(78.5)	(40.7)	—
—	(17.0)	**Loss From Discontinued Operations**	(109.7)	(74.4)	(6.1)
(.3)	6.7	**Net Income (Loss)**	(31.4)	(7.7)	93.8
625.9	711.1	**Retained Earnings, Beginning of Period**	703.1	771.8	738.8
14.8	14.7	Dividends	60.9	61.0	60.8
$610.8	$703.1	**Retained Earnings, End of Period**	$ 610.8	$ 703.1	$ 771.8
		Earnings Per Common Share (Note 1h)			
$ (.21)	$ .87	Continuing Operations	$ 2.73	$ 2.22	$ 3.71
—	(.76)	Discontinued Operations	(4.90)	(3.33)	(.27)
$ (.21)	$ .11	Net Income (Loss)	$ (2.17)	$ (1.11)	$ 3.44
$ (4.7)	$ 2.5	Earnings (Loss) Available for Common Shares	$ (48.5)	$ (24.7)	$ 76.7
22.4	22.3	Average Outstanding Shares	22.4	22.3	22.3
$ .50	$ .50	**Dividends Per Common Share**	$ 2.00	$ 2.00	$ 2.00

See Notes to Financial Statements.

Introduction

The three year period ended December 31, 1982 was a period of consolidation for Beneficial Corporation. Due largely to the liberalization of the Federal Bankruptcy Act which became effective in late 1979, the Company adopted a strategy of reducing the number of smaller unsecured loans and increasing its investment in the larger, more profitable real estate secured loans. As a result of this strategy, real estate secured loans increased from $831, 19% of the portfolio at December 31, 1979, to $2,180, 51% of the portfolio at the end of 1982.

In 1980 the total principal of finance receivables portfolio declined slightly, whereas real estate secured loans increased $639 and represented 35% of the portfolio at year end.

In 1981 the Company continued its emphasis on contraction of smaller unsecured loans and fortified this effort with tighter expense control. Management ceased lending operations in certain states with unattractive lending environments, and remaining operations in two states were sold. Over 450 loan offices were closed or consolidated during the year. The Company provided $8.4 for costs relating to restructuring of operating departments and headquarters operations resulting from these office closings and for the sale of lending operations. Real estate secured loans continued to grow, increasing $565 during the year, and accounted for 46% of the portfolio at December 31, 1981. Results for 1981 reflected a $40.7 aftertax loss on the sale of Spiegel, Inc., a merchandising subsidiary.

The year 1982 reflected improved operating performance for the Consumer Finance Group resulting from wider lending spreads, as a result of lower borrowing costs and higher yields, and improved operating efficiency due to the closing of an additional 350 offices during the year. While the total portfolio declined, real estate secured loans grew $145 and represented 51% of the portfolio at December 31, 1982. The Insurance Group reported a substantial decline in earnings resulting from a special pretax provision of $30.0 for property and casualty loss reserve strengthening and potential insolvencies of companies that reinsure Benico. In addition, Insurance earnings continued to suffer from the Consumer Finance Group's emphasis on real estate secured loans, which have a low insurance penetration, and the run-off in the unsecured receivables. The 1982 results also reflected the sale of First Texas Financial Corporation, the Company's Savings and Loan Division, at an aftertax loss of $78.5. The sale removes a serious financial drain from the Company.

Results of Operations

Finance Division revenue was down slightly in 1982 after increasing substantially in 1981 and 1980. The Consumer Finance Group finance charges and fees decreased less than 1% in 1982 and increased 4% and 29% in 1981 and 1980 compared to each preceding year. The annual percentage rate of finance charges and fees collected was 21.25%, 20.77%, and 21.15% in 1982, 1981 and 1980, respectively. The decreases and increases in consumer finance revenue are due in part to changes in the annual percentage rate and in part to fluctuations in average finance receivables outstanding. Insurance premiums earned declined 6% in 1982 after increasing 28% and 43% in 1981 and 1980. As discussed above, the Insurance Group was adversely affected in 1982 by the aforementioned emphasis on real estate secured loans, coupled with the overall run-off in unsecured receivables. The increases in insurance premiums earned in 1981 and 1980 resulted from gains from both Consumer Finance Group and non-affiliated sources. While the non-affiliated business accounted for 85%, 80% and 78% of total premiums written in 1982, 1981 and 1980, respectively, Beneficial loan-related coverage represents a large percentage of the Insurance Group's net income, reflecting the marketing economies inherent in distributing products through the consumer finance system office network. Insurance investment income continued its growth in 1982 reaching $93.5 compared to $85.3 and $65.6 in 1981 and 1980, respectively. This growth reflects the impact of average gross investment yields of 9.85%, 10.04% and 9.05% in each of the three years and higher levels of investments.

Interest expense decreased in 1982 from 1981, approximately half due to reduced borrowings and half due to lower interest rates. The overall interest rate on borrowings decreased from 11.53% in 1981 to 10.88% in 1982. In 1981 and 1980 interest expense increased 16% and 62%, respectively, from each preceding year. Approximately 74% of the 1980 increase was due to additional borrowings with the remainder due to higher interest rates. In 1981 only 8% of the increase was due to additional borrowings with the remaining 92% due to higher interest rates.

Salaries and employee benefits decreased 11% in 1982 after increasing 1% in 1981 and 23% in 1980 compared to each preceding year. The decline in 1982 reflects the continuing emphasis on expense control through the reduction in the number of loan offices, as the Company focuses its business activity only in the more desirable locations. The number of employees declined as offices were closed.

The provision for credit losses increased slightly in 1982 but remained substantially the same in 1981 and 1980 as compared to each preceding year. Charge-offs as a percentage of finance receivables were 2.45%, 2.17% and 2.34% in 1982, 1981 and 1980, respectively. While charge-offs from consumer bankruptcy remained high in 1982, for the first time Beneficial also sustained noticeable losses on real estate secured loans. The percentage of loan balances more than two months delinquent was 1.37% at December 31, 1982, down from 1.54% at the end of 1981 and 1.55% at the end of 1980.

Insurance policy benefits provided increased 6%, 43% and 68% in 1982, 1981 and 1980, respectively. In 1982 the 6% increase reflects the $30.0 special pretax provision previously discussed, offset somewhat by the lower volume of business. The increases in 1981 and 1980 reflect the growing volume of business in those years, moderately higher loss ratios, and a larger portion of annuity business, which requires substantially higher reserves.

The provision for income taxes represented 28.3%, 37.8% and 34.9% of Finance Division income before income taxes in 1982, 1981 and 1980, respectively. Each percentage is lower than the U.S. statutory tax rate of 46% principally because of the lower effective tax rate for the combined Insurance subsidiaries as well as the benefit in 1982 and 1981 from filing a consolidated tax return with the Savings and Loan Division. (See Note 15 on Page 40.)

Income from the Finance Division increased 24% in 1982, declined 38% in 1981 and remained relatively flat in 1980 as compared to each preceding year. The increase in 1982 reflects the wider lending spreads and increased operating efficiency experienced by the Consumer Finance Group, as well as the elimination of foreign exchange losses in the income statement, offset in part by the sharp decline in earnings of the Insurance Group. The depressed results for the Finance Division in 1981 reflect the higher cost of borrowing, the provision for restructuring costs discussed above, and a $7.1 aftertax foreign exchange loss. (See Note 1(e) on Page 35.)

The Merchandising Division net income increased 150% in 1981 over 1980 and 5% in 1982 over 1981 despite declining sales in both years. The income improvement in 1981 stems from decreases in variable costs and salary expense. The income improvement in 1982 occurs due to the inclusion of $5.5 in aftertax gains on the disposal of distribution centers and the repurchase of debentures.

Capital Resources and Liquidity

The Company's major internal source of funds is the principal collections of finance receivables from customers. As a percentage of average monthly balances, cash principal collections have decreased, reflecting the trend to longer contractual maturities resulting primarily from the higher proportion of real estate secured loans. The percentage of monthly cash principal collections to average monthly balances was 3.64%, 3.85% and 4.01% for 1982, 1981 and 1980, respectively. Due to these ongoing collections, the ability to cut back lending activity when necessary, and substantial access to world-wide credit sources, the Company does not have a problem with liquidity.

Short-term debt is used to provide flexibility to finance operations on a day-to-day basis and as a buffer during periods when receivables contract and expand. Total short-term debt (including deposits payable and employee thrift accounts) was only 16% of total debt at December 31, 1982, while it

represented 27% and 21% of total debt at the end of 1981 and 1980, respectively. The dramatic reduction in short-term debt in 1982 was the result of an effort on the part of Beneficial's management to reduce the Company's susceptibility to the impact of volatile interest rates. Commercial paper and bank lines of credit represent the primary source of short-term funds for the Company. The Company maintains unused bank line coverage equal to at least 100% of commercial paper obligations. At December 31, 1982 the unused portion of bank lines of credit was $701.1, 362% of commercial paper outstanding.

The Company relies heavily on the issuance of long-term debt to finance its operations. One of the Company's major financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets.

In January of 1982 the Company received approximately $50.0 in proceeds from the sale of Spiegel, Inc. In June of 1982 the Company sold for $134.4 and then leased back an office complex in Peapack, New Jersey.

The Company's debt to equity ratio was 4.63 to 1 at December 31, 1982, 4.57 to 1 at December 31, 1981, and 3.93 to 1 at December 31, 1980. During 1980 the Company reduced its leverage largely by profitable performance and by selling 138 of the former offices of Capital and Southwestern, 1979 acquisitions, for approximately $190.0. In 1981 the higher leverage resulted from increased borrowings to support increased finance receivables and the loss from the sale of Spiegel. In 1982 the higher leverage resulted from the loss from discontinued operations related to First Texas.

The ratio of earnings to fixed charges (based on income from continuing operations) improved to 1.22 to 1 in 1982 from 1.17 to 1 in 1981 as a result of lower interest rates and improved operating efficiency. The ratio declined in 1981 from 1.30 to 1 in 1980 due to the rise in interest rates and increased leverage during 1981. Continued emphasis on expense control and the switch in the receivable portfolio mix toward the larger, more profitable real estate secured loans are expected to contribute to continued improvement in the fixed charge coverage.

Long-term debt of $271.8 will mature during 1983. These maturities will likely be replaced by other issues of long-term debt. The Company has a wide variety of markets, both domestic and foreign, available to it. In addition, the Company continues to have access to short-term debt through the issuance of directly-placed commercial paper and from unused bank lines of credit.

The Merchandising Division finances its operations largely through the sale of consumer receivables to Beneficial and cash flow from operations, including receivable collections.

Further information on the Finance Division is in the Financing Section on Page 6, the Consumer Finance Group Section on Page 9, and the BENICO Section on Page 19.

Supplementary Financial Data Adjusted for General Inflation is on Page 44.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Merchandising Division is on Page 50.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1982	1981	(in millions)	1982	1981	1980
		Source of Funds			
$ (.3)	$ 23.7	Income (Loss) From Continuing Operations	$ 78.3	$ 66.7	$ 99.9
		Non-Cash Charges (Credits) to Income			
41.3	36.5	Provision for Credit Losses (before recoveries)	131.0	121.6	117.1
(23.9)	(12.2)	Increase (Decrease) in Unpaid Expenses	(6.9)	24.0	19.2
101.6	3.7	Increase in Insurance Reserves	127.6	64.7	44.5
9.2	8.1	Depreciation and Amortization	34.3	27.0	22.4
—	3.1	Unrealized Foreign Exchange Loss	—	5.6	1.1
(8.0)	24.9	Provision for Deferred Income Taxes	7.9	42.5	20.2
(5.0)	3.8	Undistributed Net Loss (Income) of Non-Consolidated Subsidiaries	(12.1)	(5.3)	(3.1)
114.9	91.6	Funds Provided by Continuing Operations	360.1	346.8	321.3
6.3	9.8	Proceeds From Sale of and Decrease in Advances to Discontinued Operations	76.7	4.6	33.8
—	—	Proceeds From Sale of Property	134.4	—	—
—	—	Proceeds From Divestiture of Offices	—	—	189.8
—	—	Redeemable Preferred Stock Issued	—	—	22.0
8.6	55.9	Long-Term Debt Issued	421.3	204.7	236.6
14.0	4.2	Increase in Deposits Payable	40.6	21.3	19.6
(42.6)	(34.1)	Other—Net	38.3	(94.7)	(77.0)
$101.2	$127.4		$1,071.4	$ 482.7	$746.1
		Application of Funds			
$ 81.7	$ (72.4)	Increase (Decrease) in Principal of Finance Receivables (before charge-offs and foreign currency fluctuations)	$ 5.6	$ 352.8	$110.2
6.3	(15.3)	Increase (Decrease) in Net Receivables Acquired From Merchandising Division	(41.6)	5.3	(47.4)
95.6	4.5	Increase in Investments (at carrying amount)	182.1	89.2	153.9
(.5)	11.9	Additions to (Retirements of) Property and Equipment	52.2	76.8	73.7
(165.2)	108.3	Decrease (Increase) in Short-Term Debt	612.4	(296.8)	180.2
(37.6)	39.9	Decrease (Increase) in Accounts Payable	(8.3)	26.2	(21.8)
106.1	35.8	Long-Term Debt Paid	208.1	168.2	236.5
		Dividends on Capital Stock			
3.8	3.8	Preferred	17.2	17.2	17.1
11.0	10.9	Common	43.7	43.8	43.7
$101.2	$127.4		$1,071.4	$ 482.7	$746.1

See Notes to Financial Statements.

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after inter-company eliminations, the accounts of all significant subsidiaries except the Merchandising Division (Western Auto Supply Company and subsidiaries), which is included under the equity method, and discontinued operations. Financial statements for the Merchandising Division are presented on Pages 48-55.

Certain prior period amounts have been reclassified to conform with the 1982 presentation.

b) Finance Operations. The financial statements, except for consumer finance revenue, are prepared on the accrual basis.

Unearned finance charges generally are taken into income as earned and collected under the sum-of-the-digits method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered to be uncollectible or to require disproportionate collection costs are charged to the reserve for credit losses, but collection efforts generally are continued.

c) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and property and liability insurance.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to earned premiums.

Premiums on credit life insurance are taken into income on the sum-of-the-digits method or, in the case of level-term contracts, on the straight-line method over the lives of the policies. Premiums on credit accident and health contracts are generally taken into income on an average of the sum-of-the-digits and the straight-line methods. Property and liability premiums are taken into income on the straight-line method.

d) Valuation of Investments. Debt securities are carried at amortized cost. Equity securities (substantially all marketable) are generally carried at market value. Other investments are carried at cost. The adjustment of the carrying amount of marketable equity securities from cost to market value is not reflected in the income statement but is recorded directly in shareholders' equity through a valuation allowance.

e) Translation of Foreign Currencies. Beginning January 1, 1982 the Company has elected to comply with Financial Accounting Standard (FAS) No. 52, Foreign Currency Translation. Under the Standard the effects on the Company of translating foreign currencies into the reporting currency are no longer included in net income but are accumulated in the balance sheet as a separate component of shareholders' equity. Prior periods have not been restated and are presented in conformity with FAS No. 8, under which all gains or losses from translation of foreign currencies are included in the determination of net income.

f) Interest Expense. Interest expense related to investments in the Merchandising Division and discontinued operations reflects the cost of funds used to acquire those operations plus interest on funds used by Beneficial Corporation to pay dividends to the extent that the operations did not pay dividends (to Beneficial) at the same payout ratio as did Beneficial. Accordingly, interest expense related to those operations is removed from interest expense of the Finance Division and is shown, net of taxes, separately.

Interest expense related to the investment in the Insurance Group is removed from interest expense of the Consumer Finance Group, but remains in interest expense of the Finance Division, where the two components are combined (see Note 17).

This presentation results in a more meaningful measure of profitability of the Consumer Finance Group and the Finance Division, as such interest is a common expense of the Company rather than applicable to a particular division or group.

Total interest costs incurred amounted to $464.3 in 1982, $505.9 in 1981 and $427.2 in 1980, including interest capitalized on qualifying assets of $7.9, $11.8 and $3.5.

g) Amortization of Excess Cost of Net Assets Acquired. Excess cost applicable to acquisitions before November 1, 1970 is not being amortized. Excess cost applicable to subsequent acquisitions is being amortized over 40 years.

h) Earnings Per Common Share. Earnings per common share is computed on the basis of average shares outstanding and their equivalents after deducting dividend requirements on preferred stocks. None of the preferred stocks are common stock equivalents.

(amounts in millions)

2. Change in Accounting Principle

The Company has elected to comply with FAS No. 52, effective January 1, 1982. All assets and liabilities in foreign currencies are translated at the market rate at each balance sheet date. Foreign operating results are translated at the average market rate for each period covered by the statement of income.

An analysis of changes in accumulated foreign currency translation adjustments at December 31, 1982 follows:

Accumulated Foreign Currency Translation Adjustments at January 1, 1982	$ —
Translation Adjustments Resulting From Exchange Rate Changes, Hedge Contracts and Intercompany Transactions	(8.7)
Less Income Taxes Applicable to Taxable Exchange Adjustments	3.9
Accumulated Foreign Currency Translation Adjustments	$(12.6)

3. Discontinued Operations

The sale of the Company's wholly-owned Savings and Loan Division to unaffiliated third parties for $14.0 of notes was recorded as of August 31, 1982. The transaction, completed on November 3, 1982, resulted in a loss on disposal of $78.5 (after an income tax benefit of $10.8), $3.51 per share. The loss on disposal and the loss from operations prior to August 31, 1982 are included in discontinued operations in the income statement.

The sale of Spiegel, Inc. for approximately $50.0 was recorded as of August 31, 1981. The transaction, completed on January 6, 1982, resulted in an aftertax loss on disposal of $40.7 (after income taxes of $9.9), $1.83 per share. Under the terms of the agreement, Fairfax Family Fund, Inc., a wholly-owned subsidiary of Spiegel, was dividended to Beneficial. Fairfax, whose activities are limited to collection of outstanding receivables, is being liquidated; accordingly, the estimated loss on disposition and its results of operations through August 31, 1981 are included with Spiegel's losses on disposal and operations through August 31, 1981 in discontinued operations.

The investments in and advances to the Savings and Loan Division and Fairfax in 1982, and Fairfax and Spiegel in 1981, are set forth on the balance sheet at net realizable value.

Combined operating results relating to discontinued operations are as follows:

	1982	1981	1980
Revenue	$163.5	$472.2	$576.2
Income (Loss) Before Income Taxes	(37.0)	(33.0)	3.6
Income Tax Benefits	(11.7)	(11.2)	(.3)
Net Income (Loss)	(25.3)	(21.8)	3.9

4. Finance Receivables

The principal of finance receivables and maximum term (in months from origination) are as follows:

	Amount		Maximum Term	
December 31	1982	1981	1982	1981
			(months)	
Real Estate Secured Loans	$2,180	$2,035	180	180
Other Loans	1,411	1,832	120	120
Sales Finance Contracts	184	241	60	60
Bank Credit Card Receivables	220	106	60	36
Lease and Commercial Finance Receivables	261	232	300	300
Total Principal of Finance Receivables	$4,256	$4,446		

Scheduled contractual payments of finance receivables to be received after December 31, 1982 are as follows:

	1983	1984	1985	1986	Beyond
Real Estate Secured Loans	18%	14%	14%	14%	40%
Other Loans	52	29	13	4	2
Sales Finance Contracts	68	23	6	2	1
Bank Credit Card Receivables	37	30	22	7	4
Lease and Commercial Finance Receivables	19	15	13	8	45
Total	33	20	14	9	24

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of finance receivables amounted to $1,867.3 for 1982 and $2,011.8 for 1981.

The percentage of monthly cash principal collections to average monthly balances was 3.64% for 1982 and 3.85% for 1981.

5. Net Receivables Acquired from Merchandising Division

Customer receivables of Western Auto retail and associate stores are purchased, with recourse, from Western Auto, which maintains the reserve for credit losses applicable to these receivables. The accounts had a weighted average maturity of 12 months at December 31, 1982.

6. Investments

Investments are principally Insurance Group long-term investments. Equity securities had a cost of $106.7 at December 31, 1982 and $116.2 at December 31, 1981.

Investments consist of the following:

December 31	1982		1981	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities				
Certificates of Deposit	$ 137.6	$ 137.6	$ 118.8	$118.8
Commercial Paper	84.5	84.5	39.9	39.9
U.S. Government Obligations	267.5	269.4	152.2	131.1
Foreign Government and Agency Obligations	64.6	59.4	71.6	62.2
Municipal Bonds	313.3	229.5	313.8	180.4
Convertible Bonds	5.0	4.4	8.1	6.5
Non-Convertible Bonds	192.4	186.0	187.9	158.4
Other	111.0	111.0	107.0	107.0
	1,175.9	1,081.8	999.3	804.3
Equity Securities				
Preferred Stocks	52.6	52.6	48.3	48.3
Common Stocks	40.4	40.4	42.5	42.5
	93.0	93.0	90.8	90.8
Other	17.6	17.6	14.3	14.3
Total Investments	$1,286.5	$1,192.4	$1,104.4	$909.4

Net unrealized loss on equity securities is as follows:

December 31	1982	1981
Unrealized Losses	$(18.3)	$(27.4)
Less Unrealized Gains	4.6	2.0
Net Unrealized Loss	$(13.7)	$(25.4)

Realized gains and losses are determined on the specific cost identification basis and are not material.

7. Other Assets

December 31	1982	1981
Accounts and Notes Receivable	$ 12.2	$ 21.8
Accrued Interest on Investments	21.6	24.7
Excess Cost of Net Assets Acquired	81.4	83.8
Insurance Premiums Receivable	67.0	51.6
Prepaid Expenses	21.6	23.0
Property Acquired by Foreclosures	13.3	14.0
Receivable From Merchandising Division	14.8	8.1
Recoverable Income Taxes	27.5	36.0
Unamortized Insurance Policy Acquisition Costs	70.1	69.3
Unamortized Long-Term Debt Expense	25.2	16.8
Other	30.3	30.8
Total Other Assets	$385.0	$379.9

The portion of excess cost of net assets acquired being amortized at December 31, 1982 and 1981 is $55.8 and $58.3.

8. Short-Term Debt

December 31	1982	1981
Banks	$238.1	$ 561.0
Commercial Paper	193.9	481.3
Total Short-Term Debt	$432.0	$1,042.3

Bank lines of credit are as follows:

December 31	1982	1981
Loans	$238.1	$ 561.0
Unused Portion	701.1	529.0
Total Bank Lines	$939.2	$1,090.0

Compensating balance requirements generally are 5% on one-half of the bank line of credit with a ⅜% per annum fee on the remainder.

(amounts in millions)

Data for short-term notes are:

	1982	1981	1980
Maximum amount at any month end	$899.9	$1,298.7	$1,003.9
Daily average amount	531.1	957.3	888.5
Average actual interest rates on borrowings			
U.S. dollar	14.09%	17.17%	13.63%
Foreign currency	15.71	13.73	12.76
Overall	14.66	16.63	13.46

The average interest rates (excluding the effect of compensating balances) and maturities on short-term notes at year end are as follows:

	1982	1981	1980
Average interest rates			
Bank Borrowings			
U.S. dollar	11.50%	14.71%	21.28%
Foreign currency	13.16	15.34	13.42
Overall	12.34	14.88	17.90
Commercial Paper			
U.S. dollar	8.77	12.64	19.34
Foreign currency	11.03	16.65	16.99
Overall	9.26	12.87	19.28
Maturities (in days)			
Bank Borrowings	1-180	1-90	1-90
Commercial Paper	5-90	15-180	15-180

9. Accounts Payable and Accrued Liabilities

December 31	1982	1981
Accounts Payable	$ 82.1	$ 37.9
Accrued and Deferred Compensation	18.6	24.9
Accrued Interest	91.0	95.1
Dealer Reserves	17.9	23.5
Deferred Income Taxes	41.5	42.5
Insurance Premiums Payable	42.1	54.7
Other	24.1	28.2
Total Accounts Payable and Accrued Liabilities	$317.3	$306.8

10. Long-Term Debt and Restrictions on Additional Paid-in Capital and Retained Earnings

Long-term debt outstanding is as follows:

December 31	1982	1981
By Currency		
United States	$3,262.3	$2,945.5
Australian	115.2	145.6
British	79.2	85.1
Canadian	80.5	109.0
Other	125.2	90.2
Unamortized Discount	(103.5)	(18.1)
Total Long-Term Debt	$3,558.9	$3,357.3
By Maturity		
1982	$ —	$ 94.7
1983	271.8	241.7
1984	517.7	561.9
1985	339.9	295.6
1986	301.2	239.9
1987	602.1	386.6
1988-92	830.9	756.2
1993-97	273.8	273.8
1998-2002	225.0	225.0
2003-07	300.0	300.0
Unamortized Discount	(103.5)	(18.1)
Total Long-Term Debt	$3,558.9	$3,357.3
Subordinated Debt Included Above	$ 50.0	$ 50.0
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	9.89%	9.70%

Long-term debt at December 31, 1982 includes $645.8 for which the holder may elect payment prior to maturity. Such debt is shown above in the earliest year it could become payable.

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1982 and 1981, the amounts of all

unrestricted additional paid-in capital and retained earnings, under the most restrictive of these covenants, are approximately $270.0 and $430.0.

Annual changes in additional paid-in capital are immaterial.

11. Capital Stock

The number of shares of capital stock is as follows:

Issued and Outstanding December 31	1982	1981
Preferred—no par value (issuable in series).		
Authorized, 500,000		
9.25% Series Redeemable Preferred—$1,000 stated value	125,000	125,000
Preferred—$1 par value. Authorized, 2,500,000	—	—
5% Cumulative Preferred—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $8.3 million and $9.1 million). Authorized, 1,164,077	82,616	91,186
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred—no par value—$100 stated value. Authorized, 1,069,204	836,585	836,585
Common—$1 par value. Authorized, 60,000,000	22,241,884(b	22,193,858(b
After deducting treasury shares		
a) 5% Cumulative Preferred	178,012	178,012
b) Common	4,769,396	4,778,861

At December 31, 1982, 371,772 of the authorized Common shares shown above are issuable upon conversion of the $5.50 Preferred.

12. Redeemable Preferred Stock

Dividends on the 9.25% Series Redeemable Preferred Stock, which are cumulative, are payable quarterly at $23.125 per share. Beginning November 15, 1985 and annually through November 15, 1999, the Company is required to redeem 8,333 shares of the stock through a sinking fund at $1,000 per share. Sinking fund payments are cumulative. The Company may, at its option, increase the sinking fund payment by 8,333 shares annually up to an aggregate of 43,750 shares. Unless dividend and sinking fund payments on this stock are current, the Company may not pay dividends or make other distributions or purchase, redeem, or retire any issues of stock junior to this issue. The Company has the right to redeem the stock beginning November 15, 1989 at an initial redemption price of $1,043.82 per share, declining ratably thereafter to $1,000 per share. Upon the arrearage of six quarterly dividends on any series of the Preferred Stock, the holders of the 9.25% Series Preferred Stock with the holders of other series of the Preferred Stock voting as a class would be entitled to elect two members of the Board of Directors.

13. Employee Retirement Plans

The Company and consolidated subsidiaries have several retirement plans covering substantially all employees in the United States. The plans are fully funded. Total expense for both domestic and foreign plans was $5.1, $6.5 and $7.2 for 1982, 1981 and 1980, respectively. The Company has made annual contributions to the plans at least equal to the

(amounts in millions)

amounts accrued for retirement expense. Accumulated plan benefits and plan net assets for the Company's domestic benefit plans are:

January 1	1982	1981	1980
Actuarial Present Value of Accumulated Plan Benefits			
Vested	$37.9	$44.0	$34.2
Nonvested	7.4	6.2	7.4
Total Actuarial Present Value of Accumulated Plan Benefits	$45.3	$50.2	$41.6
Net Assets Available for Benefits	$86.3	$85.3	$71.0

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9% in 1982 and 8% in both 1981 and 1980.

14. Provision for Restructuring Costs

In 1981 the Company provided $7.2 for employee severance costs related to the restructuring of operating departments and headquarters operations resulting from the closing of approximately 450 domestic consumer finance offices plus $1.2 for the loss on the sale of consumer lending operations in Alabama and Tennessee.

15. Income Taxes

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including those in the Merchandising Division and, prior to its disposition, the Savings and Loan Division. Income taxes, whether payable currently or in the future, are provided on reported earnings. U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as these earnings are expected to be permanently invested in foreign countries.

The provision for income taxes is comprised of:

	1982	1981	1980
Current			
U.S.	$ 6.7	$(22.9)	$ (2.2)
Foreign	11.7	11.8	11.7
Total	18.4	(11.1)	9.5
Deferred			
U.S.	5.9	41.1	18.5
Foreign	2.0	1.4	1.7
Total	7.9	42.5	20.2
Investment Tax Credit Deferred	—	.7	18.5
State and Local	4.0	5.5	5.7
Total Provision for Income Taxes	$ 30.3	$ 37.6	$ 53.9

Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes and relate to:

	1982	1981	1980
Differences Between Cash and Accrual Basis	$ (6.3)	$ 4.0	$ (4.9)
Insurance Benefits Provided	.5	2.3	3.0
Leasing Transactions	17.5	30.1	21.3
Provision for Credit Losses	(1.1)	(.6)	(2.8)
Unrealized Foreign Exchange Gain (Loss)	—	2.8	(2.0)
Insurance Policy Acquisition Costs	(.2)	3.5	1.6
Other	(2.5)	.4	4.0
Total Provision for Deferred Income Taxes	$ 7.9	$42.5	$20.2

A reconciliation of the provision for income taxes at the statutory U.S. income rate to the tax provision as reported follows:

	1982	1981	1980
Statutory U.S. Tax Rate	46.0%	46.0%	46.0%
Increase (Decrease) Resulting From			
Excess of Effective Foreign Tax Rates Over U.S. Rate	2.2	3.1	—
Lower Effective Tax Rate for Insurance Subsidiaries	(17.7)	(18.9)	(11.4)
Investment Tax Credit	(1.7)	(3.4)	(1.7)
State and Local Income Taxes	(.5)	(3.2)	(1.7)
Non-Taxable Foreign Exchange Gain	—	5.2	.4
Accrual for Prior Year Taxes	—	4.3	—
Tax Benefit From Filing Consolidated Tax Return with Savings and Loan Division	(10.2)	(4.3)	—
Other	6.5	3.5	(.4)
Effective Tax Rate	24.6%	32.3%	31.2%

16. Leases

The Company's consumer finance system operates from leased premises generally having an original term of five years with a renewal option for a like term. The Company also leases an office complex with a primary term of twenty-eight years and renewal options totalling forty-seven years. Data processing equipment lease terms range from two to five years and generally are renewable. The minimum rental commitments under non-cancelable operating leases at December 31, 1982 are as follows:

1983	$ 27.2
1984	23.5
1985	20.1
1986	17.6
1987	20.1
1988—92	115.4
Thereafter	465.1
Total	$689.0

17. Reconciliation of Components of Finance Division Income

Consumer Finance Group income (Page 46) and Insurance Group income (Page 47) is reconciled to Finance Division income as follows:

	1982	1981	1980
Net Income			
Consumer Finance Group	$ 54.5	$ 11.1	$ 50.2
Insurance Group	37.5	63.1	59.5
Interest Expense, After Income Taxes, Related to Investment in Insurance Group (Note 1f)	(15.3)	(12.3)	(9.1)
Income From Finance Division	$ 76.7	$ 61.9	$100.6

18. Contingencies

At December 31, 1982 the Company was contingently liable for certain transactions entered into by Western Auto, a wholly-owned non-consolidated subsidiary. See Note 11 to the financial statements of the Merchandising Division for additional information.

19. Selected Financial Data

Selected unaudited financial data required by the Securities and Exchange Commission are included in the Eleven-Year Summary—Supplemental Information, Page 58 and in Data by Calendar Quarter—Supplemental Information, Page 56.

Beneficial Corporation and Consolidated Subsidiaries
Notes to Financial Statements *(concluded)*
(amounts in millions)

20. Segment Information

The Company's operations are comprised of two divisions: the Finance Division and a non-consolidated Merchandising Division, which is reported on Page 48. The Finance Division is comprised of the Consumer Finance Group and the Insurance Group.

Operations of the Finance Division are primarily in the United States. Foreign operations are conducted through subsidiaries in Canada, Australia, the United Kingdom, West Germany and other countries.

The Company generally attempts to limit its exposure to foreign exchange fluctuations by borrowing in the same currencies as its assets. In the aggregate, amounts denominated in foreign currencies after translation to U.S. dollar equivalents are:

December 31	1982	1981
Assets	$744.1	$769.4
Liabilities	705.4	756.4
Net Assets	$ 38.7	$ 13.0

Significant financial information by industry segment and geographic area is as follows:

	Revenue			Income Before Income Taxes			Identifiable Assets	
	1982	1981	1980	1982	1981	1980	1982	1981
Industry Segment								
Consumer Finance Group	$ 971.9	$ 978.4	$ 944.1	$111.0	$ 55.1	$102.9	$4,699.3	$4,943.3
Insurance Group	481.4	496.4	388.3	35.2	77.7	77.0	1,319.8	1,128.3
Interest Expense Related to Investment in Insurance Group				(28.5)	(22.7)	(16.8)		
Investments in and Advances to:								
Non-Consolidated Subsidiaries							223.8	231.8
Discontinued Operations							33.0	210.1
Corporate				(10.7)	(10.6)	(8.6)	36.2	25.1
Intersegment Eliminations	(13.3)	(8.7)	(9.2)				(249.1)	(165.4)
Total	$1,440.0	$1,466.1	$1,323.2	$107.0	$ 99.5	$154.5	$6,063.0	$6,373.2
Geographic Area								
United States	$1,258.2	$1,280.5	$1,160.1	$106.7	$ 95.2	$138.2	$5,298.5	$5,575.2
Foreign	252.7	242.5	210.7	11.0	14.9	24.9	1,368.5	1,236.9
Intersegment Eliminations	(70.9)	(56.9)	(47.6)	(10.7)	(10.6)	(8.6)	(604.0)	(438.9)
Total	$1,440.0	$1,466.1	$1,323.2	$107.0	$ 99.5	$154.5	$6,063.0	$6,373.2

The assets above are classified by their identification with operations in each geographic area without regard to currency denominations.

Accountants' Opinion

The Board of Directors and Shareholders
of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1982 and 1981 and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Beneficial Acceptance Corporation (a consolidated subsidiary), which statements reflect assets of $90.9 and $123.6 million at December 31, 1982 and 1981 and revenue of $21.7, $24.3 and $9.3 million respectively, for each of the three years ended December 31, 1982. We also did not examine the financial statements of the Merchandising Division, the equity in net assets and net income of which are set forth in the accompanying financial statements. In addition, we did not examine the financial statements of the Savings and Loan Division or Spiegel, Inc. and Subsidiaries, for the years ended December 31, 1981 and 1980, the equity in net assets and net income (loss) of which are included in discontinued operations in the accompanying financial statements. The financial statements of the aforementioned companies and divisions were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such companies and divisions, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1982 and 1981 and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1982 in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in 1982 in the method of accounting for foreign currency translation as described in Note 2 to the financial statements.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 4, 1983

Beneficial Corporation and Consolidated Subsidiaries

Supplementary Financial Data Adjusted for General Inflation (unaudited)

(in millions)	1982
Income From Continuing Operations as Reported in the Statement of Income	$78.3
Adjustment to Restate Depreciation Expense for the Effect of General Inflation	1.4
Income From Continuing Operations Adjusted for General Inflation	$76.9
Decline in Purchasing Power of Net Monetary Assets Held	$14.4

(in millions of average 1982 dollars)

Years Ended December 31	1982	1981	1980	1979	1978
Revenue	$1,440.0	$1,554.1	$1,548.1	$1,307.3	$1,138.9
Income From Continuing Operations	76.9	66.6	112.2	112.0	
Net Assets at Year End	916.4	1,060.8	1,239.1	1,307.9	
Per Common Share					
Income From Continuing Operations	2.67	2.18	4.14	4.63	
Cash Dividends	2.00	2.12	2.34	2.59	2.52
Market Price at Year End	24.22	21.33	25.59	35.41	33.86
Decline in Purchasing Power of Net Monetary Assets Held	14.4	36.1	62.8	67.4	
Average Consumer Price Index	289.1	272.4	246.8	217.4	195.4

Discussion of Supplementary Financial Data Adjusted for General Inflation

Introduction

Financial Accounting Standard (FAS) No. 33 requires certain businesses to measure and report the effects of changing prices using two methods of measurement: the constant dollar method and the current cost method. The constant dollar method requires that the historical cost data of the primary financial statements be adjusted for general inflation using the Consumer Price Index for All Urban Consumers (CPI-U) to provide financial information in dollars of equivalent purchasing power (constant dollars). Conversion to constant dollars does not change the historical cost basis of measurement but changes only the unit of measurement. The current cost method requires that the historical cost data of the primary financial statements be adjusted for the effects of changes in values of specific assets. Property and equipment, the specific assets of the Company affected by the requirement, are relatively insignificant to the operations of the Company. Since current cost amounts do not differ materially from amounts adjusted for general inflation, current cost data are not presented.

FAS No. 33 is experimental in nature; therefore, the data presented herein should not be viewed as a precise calculation of the effects of inflation.

Certain information relating to the year ended December 31, 1978 is impractical to obtain.

Income From Continuing Operations Adjusted for General Inflation

Since most of the Company's assets and liabilities are monetary in nature and fixed in terms of the amount of cash to be received or paid, they require no adjustment to income from continuing operations. Property and equipment, however, is not a monetary asset and has been restated to average 1982 dollars using the CPI-U. This resulted in a higher depreciation expense, reducing income from continuing operations by $1.4 million. Depreciation expense was calculated using the same methods, useful lives and salvage values used for historical cost depreciation as reflected in the primary financial statements. Revenue and other expense items were not restated as these are assumed to have occurred proportionately to the CPI-U over the course of the year.

FAS No. 33 requires that no adjustment be made to the provision for income taxes for the additional depreciation expense.

The decline in purchasing power of net monetary assets held is shown as a separate line item and is not included as an adjustment to income from continuing operations. Net monetary assets are cash and claims to cash less amounts owed, fixed in terms of dollars. Financial institutions are usually in a positive net monetary position; consequently, they will show a purchasing power decline during periods of rising prices.

Selected Supplementary Financial Data Adjusted for General Inflation

The table shows the effect of adjusting selected financial data to average 1982 dollars. Net assets at year-end 1982 are calculated by reducing shareholders' equity by the historical cost of property and equipment and converting the remaining shareholders' equity to average 1982 dollars. To this figure is added the constant dollar property and equipment balance. The decrease in constant dollar net assets versus net assets as reported in the primary financial statements is due to the conversion of year-end shareholders' equity (less property and equipment) from year-end 1982 dollars to average 1982 dollars.

Management Strategies for Coping With Inflation

The current year benefited from a slight easing in the trend of spiraling inflation experienced during the previous four years. This decline in the rate of inflation resulted in a lower cost of funds for the Company, more favorable lending spreads and increased profitability.

Corporate programs are underway to ensure that resources are efficiently utilized and costs are adequately controlled. Domestic lending operations have been reassessed and consolidated, and emphasis is being placed on attracting second mortgage customers. Second mortgages are secured by real estate and are generally less costly to administer than smaller unsecured loans. The Company's current strategy is to limit its exposure to volatile interest rates through a sharp reduction in short-term debt and the use of long-term debt to fund growth. These steps should improve profitability and help offset the adverse effects of inflation.

Consumer Finance Group
Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1982	1981	(in millions)	1982	1981	1980
		Net Finance Revenue			
$227.7	$252.0	Finance Charges and Fees	$ 928.5	$ 936.1	$ 899.4
90.0	114.4	Interest Expense	395.7	434.8	377.5
137.7	137.6	Gross Margin	532.8	501.3	521.9
6.6	5.8	Other Revenue	43.4	42.3	44.7
144.3	143.4	Total	576.2	543.6	566.6
		Operating Expenses			
37.6	43.9	Salaries and Employee Benefits	170.3	194.0	194.6
37.1	32.7	Provision for Credit Losses (less recoveries)	114.9	108.3	107.2
4.5	2.4	Advertising	12.5	17.1	15.0
3.3	2.6	Depreciation	12.8	10.6	8.4
1.9	2.6	Postage and Express	8.9	11.2	11.6
2.3	2.3	Printing and Stationery	9.2	11.0	12.4
10.8	7.9	Rent	39.3	30.7	28.6
4.3	4.7	Telephone	18.1	19.8	20.5
2.5	3.0	Travel	10.2	13.3	12.9
23.9	18.5	Other	79.7	72.1	59.1
128.2	120.6	Total	475.9	488.1	470.3
16.1	22.8	**Operating Income**	100.3	55.5	96.3
—	—	Provision for Restructuring Costs	—	(8.4)	—
16.1	22.8	**Income Before Income Taxes**	100.3	47.1	96.3
6.0	12.8	Provision for Income Taxes	45.8	29.6	44.3
10.1	10.0	**Income Before Foreign Exchange Gain (Loss)**	54.5	17.5	52.0
—	.6	Foreign Exchange Gain (Loss), After Income Taxes	—	(6.4)	(1.8)
$ 10.1	$ 10.6	**Net Income**	$ 54.5	$ 11.1	$ 50.2

		Supplemental Information			
		During the Period			
$512.5	$427.5	New Funds Lent to Customers	$1,716.5	$2,225.9	$2,116.0
64.7	11.6	Principal of Finance Receivables Purchased	114.9	163.3	78.6
33.7	37.2	Finance Receivables Charged Off (less recoveries)	114.3	106.6	114.7
21.25	21.66	Annual Percentage Rate of Finance Charges and Fees Collected	21.25	20.77	21.15
		At End of Period			
		Number of Consumer Finance Offices	1,444	1,793	2,258

Insurance Group
Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1982	1981	(in millions)	1982	1981	1980
		Revenue			
$ 80.9	$109.0	Premiums Earned	$ 370.7	$ 395.7	$ 310.1
23.7	23.2	Investment Income (net)	93.5	85.3	65.6
4.3	3.7	Other Income	12.0	11.5	11.4
108.9	135.9	Total	476.2	492.5	387.1
		Benefits and Expenses			
104.2	97.8	Policy Benefits Provided	347.1	327.2	228.1
13.9	16.6	Commissions and Brokerage	63.6	68.0	51.0
2.3	3.9	Salaries and Employee Benefits	12.6	12.1	9.2
.8	(4.6)	Decrease (Increase) in Unamortized Policy Acquisition Costs	(.8)	(8.9)	1.5
1.6	1.3	Licenses and Taxes	5.6	5.6	4.9
6.1	3.5	Other Expenses	18.1	14.0	16.6
128.9	118.5	Total	446.2	418.0	311.3
(20.0)	17.4	**Income (Loss) Before Income Taxes**	30.0	74.5	75.8
(13.1)	3.8	Provision for Income Taxes	(4.3)	14.6	17.5
(6.9)	13.6	**Income (Loss) Before Foreign Exchange Gain (Loss)**	34.3	59.9	58.3
—	1.0	Foreign Exchange Gain (Loss), After Income Taxes	—	(.7)	—
(6.9)	14.6	**Income (Loss) Before Realized Net Investment Gain (Loss)**	34.3	59.2	58.3
(.4)	.9	Realized Net Investment Gain (Loss), After Income Taxes	3.2	3.9	1.2
$ (7.3)	$ 15.5	**Net Income (Loss)**	$ 37.5	$ 63.1	$ 59.5

		Supplemental Information			
		During the Period			
$154.2	$ 51.4	Premiums Written	$ 453.2	$ 463.9	$ 443.8
1.73	.54	Ratio of Premiums Written to Shareholder's Equity (annualized)	1.27	1.21	1.25
		At End of Period			
		Investments*	$1,082.0	$ 939.8	$ 850.3
		Unamortized Policy Acquisition Costs	70.1	69.3	60.4
		Total Assets*	1,319.8	1,128.3	1,030.7
		Insurance Policy and Claim Reserves	749.8	622.2	557.5
		Shareholder's Equity*	356.0	383.0	356.5
		Life Insurance in Force	6,783.6	7,392.8	7,146.9

*Excludes investments in non-insurance subsidiaries.

Merchandising Division
Balance Sheet

(in millions) December 31	1982	1981
Assets		
Current Assets		
Cash	$ 12.0	$ 7.5
Receivables (Note 1b)	234.7	272.1
Less Unearned Finance Charges	(6.9)	(8.8)
	227.8	263.3
Less Allowance for Doubtful Receivables	(15.7)	(15.0)
Receivables Transferred to Beneficial (Notes 1b and 9)	(82.0)	(123.6)
Net Receivables	130.1	124.7
Equity in Receivables Transferred to Beneficial (Note 9)	4.4	6.6
Inventories (Note 1c)	118.6	135.9
Other Current Assets (Notes 1d and 4)	16.6	6.1
Total Current Assets	281.7	280.8
Property and Equipment (at cost, less accumulated depreciation of $40.1 and $37.6) (Note 1e)	49.5	56.6
Other Assets	.5	.6
Total	$331.7	$ 338.0
Liabilities and Shareholder's Equity		
Current Liabilities		
Long-Term Debt Due Within One Year (Note 6)	$ 1.0	$ 5.2
Accounts Payable	42.5	38.9
Payable to Beneficial (Note 1d)	14.8	8.1
Other Current Liabilities (Note 5)	52.0	50.7
Total Current Liabilities	110.3	102.9
Long-Term Debt (Note 6)	30.7	31.7
Deferred Federal Income Taxes (Note 8)	7.7	8.0
Total Liabilities	148.7	142.6
Shareholder's Equity (including retained earnings of $108.6 and $121.0) (Notes 6, 9 and 11)	183.0	195.4
Total	$331.7	$ 338.0

See Notes to Financial Statements.

Merchandising Division
Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1982	1981	(in millions)	1982	1981	1980
$142.5	$152.2	**Net Sales and Other Revenue**	$599.7	$645.7	$669.5
		Expenses			
112.2	121.5	Cost of Sales (includes certain buying and occupancy expenses)	480.2	515.8	542.1
23.3	25.5	Selling and Administrative (Note 9)	100.8	103.3	109.9
1.4	—	Provision for Early Retirement Costs (Note 2)	1.4	—	—
—	—	Provision for Customs Duties (Note 3)	—	—	2.6
1.1	1.2	Interest	3.8	4.7	5.3
(3.9)	—	Gain on Sale of Real Estate (Note 4)	(6.6)	—	—
134.1	148.2	Total	579.6	623.8	659.9
8.4	4.0	**Income Before Income Taxes and Extraordinary Item**	20.1	21.9	9.6
		Provision for Income Taxes (Note 8)			
		Federal			
6.7	—	Current	9.4	7.0	3.9
(3.8)	1.1	Deferred	(2.1)	1.7	(.1)
.4	.2	State	1.2	1.2	1.0
3.3	1.3	Total	8.5	9.9	4.8
5.1	2.7	**Income Before Extraordinary Item**	11.6	12.0	4.8
—	—	Extraordinary Item—Gain on Repurchase of Debentures, After Income Taxes of $1.0 (Note 6)	1.0	—	—
5.1	2.7	**Net Income**	12.6	12.0	4.8
128.5	123.3	**Retained Earnings, Beginning of Period**	121.0	114.0	111.1
25.0	5.0	Dividends (Note 9)	25.0	5.0	1.9
$108.6	$121.0	**Retained Earnings, End of Period**	$108.6	$121.0	$114.0

See Notes to Financial Statements.

Merchandising Division

Management's Discussion and Analysis of Financial Condition and Results of Operations
(amounts in millions)

Introduction

During the three year period ended December 31, 1982 significant steps have been taken to improve operations and the cost efficiency of Western Auto:

- Four underutilized distribution centers were closed and two of these properties have been sold at a gain of $6.6 ($4.5 aftertax). The remaining two facilities will be offered for sale in 1983. Operating efficiencies resulting from these consolidations, including improved inventory management, have contributed significantly to operating earnings.
- Properties no longer utilized but held under long-term leases have been reviewed and the sale of the leasehold property rights will enhance future earnings.
- Open market purchases of outstanding debentures have resulted in aftertax gains of $1.0.
- As a result of reductions in retail units, consolidation of distribution centers, and the more efficient utilization of personnel, the employees of Western Auto have been reduced by approximately 2,700. As a means of further improving operating efficiencies, Western Auto offered an "early out" program in 1982. Forty-two employees with an annual salary, including fringe benefits, of $1.7 accepted the program which had a one-time cost of $1.4.

Western Auto's immediate plan to develop sales for company and associate stores is concentrated upon improving the quality of the stores through sharply focused merchandising direction. At December 31, 1982, Western Auto was operating 49 automotive "super markets", and sales in these units were up 32.3 percent over 1981. In 1983 Western Auto plans to convert an additional 44 stores to this concept and to strengthen automotive lines in all remaining company stores.

For associate stores Western Auto is offering more definitive merchandise direction as well as an exciting new advertising program that features extraordinary monthly merchandise values. In many of these stores automotive products will be the core line of merchandise with additional lines available based upon the dealer's own interest and strengths properly balanced to the level of local competition and demand. Such other lines would include wheel goods, lawn and garden, electronics, appliances, hardware and paint.

Results of Operations

Net sales and other revenue decreased 11%, 4% and 7% in 1980, 1981 and 1982, respectively, compared to the same period in the prior years. These decreases were related to the closing of unprofitable retail stores, the decline in the number of associate stores, and the overall economy which impacted Western Auto primarily through a decline in demand for major consumer durables. Contributing to the 1980 decrease was the withdrawal of Midland from the consumer electronics market.

Cost of sales as a percentage of net sales and other revenues remained relatively constant throughout the three years. Competitive pressures on pricing and the impact of promotional costs in introducing the automotive stores were offset by operating efficiencies and lower freight costs.

Selling and administrative expenses declined each year due to operating fewer stores, operating efficiencies, and the effect of the changes discussed in the Introduction. Accounts written off increased $4.4 in 1981 and $1.3 in 1982 primarily as a result of the adverse changes in the bankruptcy law and general economic conditions.

Interest expense has been favorably affected for the three year period primarily by the transfer by dividend of Western Acceptance to Beneficial. This provided Western Auto more favorable short-term financing arrangements through Beneficial. Also, the repurchase of debentures has had a favorable impact on interest.

Western Auto has improved earnings each year as a result of operating efficiencies and the 1982 gains on the sale of two distribution centers and on the repurchase of debentures which more than offset the impact of declining sales.

Capital Resources and Liquidity

The Merchandising Division finances its operations largely through the sale of consumer receivables to Beneficial and the cash flow from operations, including receivable collections. Net working capital increased from $163.8 as of January 1, 1980 to $171.4 at December 31, 1982, after reducing long-term debt $15.4 and paying dividends to Beneficial in the amount of $31.9 including a $25.0 dividend declared in 1982.

Merchandising Division
Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1982	1981	(in millions)	1982	1981	1980
		Source of Funds			
$ 5.1	$ 2.7	Income Before Extraordinary Item	$ 11.6	$ 12.0	$ 4.8
		Items Not Requiring (Providing) Working Capital			
1.7	1.8	Depreciation	6.5	7.2	7.9
.9	(.1)	Deferred Income Taxes	(.3)	(.1)	.7
7.7	4.4	Funds Provided by Operations Before Extraordinary Item	17.8	19.1	13.4
—	—	Extraordinary Item—Gain on Repurchase of Debentures	1.0	—	—
7.7	4.4	Funds Provided by Operations	18.8	19.1	13.4
—	—	Long-Term Debt Issued	3.0	—	—
3.7	3.8	Disposals of Property and Equipment and Transfer to Current Assets	4.0	4.6	1.6
—	—	Other	.1	.6	1.6
$ 11.4	$ 8.2		$ 25.9	$ 24.3	$ 16.6
		Application of Funds			
$ 1.1	$ 1.2	Additions to Property and Equipment	$ 3.4	$ 6.0	$ 2.6
1.0	4.8	Reduction of Long-Term Debt	4.0	7.2	4.2
25.0	5.0	Dividends Paid	25.0	5.0	1.9
(15.7)	(2.8)	Increase (Decrease) in Working Capital	(6.5)	6.1	7.9
$ 11.4	$ 8.2		$ 25.9	$ 24.3	$ 16.6
		Changes in Working Capital			
		Increase (Decrease) in Current Assets			
$ 7.1	$ .4	Cash	$ 4.5	$ (2.9)	$ (4.0)
(30.2)	(12.5)	Net Receivables	5.4	(12.3)	38.7
.3	(.7)	Equity in Receivables Transferred	(2.2)	.2	(2.7)
(10.3)	(4.8)	Inventories	(17.3)	13.0	(26.9)
14.3	1.3	Other Current Assets	10.5	3.1	(1.0)
(18.8)	(16.3)		.9	1.1	4.1
		Increase (Decrease) in Current Liabilities			
.6	4.7	Long-Term Debt Due Within One Year	(4.2)	4.7	—
(12.5)	(14.8)	Accounts Payable	3.6	(6.8)	(11.4)
2.7	1.7	Payable to Beneficial	6.7	(.9)	4.0
6.1	(5.1)	Other Current Liabilities	1.3	(2.0)	3.6
(3.1)	(13.5)		7.4	(5.0)	(3.8)
$(15.7)	$ (2.8)	**Increase (Decrease) in Working Capital**	$ (6.5)	$ 6.1	$ 7.9

See Notes to Financial Statements.

Merchandising Division

Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The Merchandising Division is comprised of Western Auto Supply Company and subsidiaries.

b) Receivables and Finance Charges. Receivables consist of retail customer and associate store customer instalment receivables for which finance charges are recorded in income by the sum-of-years-digits method; revolving accounts for which finance charges are recorded in income when billed to the customers; and amounts due from associate store owners for merchandise which normally do not earn finance charges if paid within the trade terms.

In accordance with merchandising industry practice, receivables include $62.2 and $92.4 at December 31, 1982 and 1981 of amounts becoming due after one year.

c) Inventories. Inventories are stated at the lower of cost (first-in, first-out) or replacement market, after considering obsolescence.

d) Income Taxes. Results of operations are included in the consolidated federal income tax return of Beneficial. The provision for federal income taxes for financial statement purposes is approximately the same as it would have been had Western Auto filed a separate return. The item Payable to Beneficial includes federal income taxes payable of $13.9 and $8.1 at December 31, 1982 and 1981. The item Other Current Assets includes deferred income tax charges of $4.9 at December 31, 1982.

e) Property and Equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. Expenditures for renewals and betterments are capitalized. Upon sale, replacement or retirement of property and equipment, the cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss is reflected in income.

f) Employee Retirement Plans. Current retirement plan costs and amortization of prior service costs over a forty-year period are charged to expense.

g) Accrual for Merchandise Warranties. Accruals are provided for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

2. Provision for Early Retirement Costs

In 1982 Western Auto offered an early retirement incentive to certain employees resulting in a charge to earnings of $1.4.

3. Provision for Custom Duties

In March 1980 Western and its wholly-owned subsidiary, Midland International Corporation, established a provision of $2.6 as a result of an agreement for the settlement of claims for dumping duties on television sets imported from Japan by Midland and Western through March 1979. However, the U.S. government has been enjoined from putting the settlement into effect pending a determination whether the government had the authority to enter into the settlement. Actual assessments by the U.S. Customs Service for television sets imported from 1969 to 1974 amounted to $5.1. If the settlement is not consummated and assuming Customs uses methods similar to those utilized with respect to the original assessments already made, Western and Midland estimate that additional assessments for television sets imported from 1974 to April 1977 would not exceed $8.1. Western continued to import television sets through December 1978 but is presently unable to estimate what assessments, if any, might be made on such sets if the pending settlement is set aside.

4. Sale of Real Estate

During 1982 Western Auto sold two underutilized distribution facilities, resulting in a gain of $6.6 ($4.5 aftertax). A 15% note for $5.9 due in January 1983 related to the sale of one of the facilities is included in other current assets.

5. Other Current Liabilites

December 31	1982	1981
Accrued Merchandise Warranties	$15.0	$15.3
Accrued Salaries and Wages	6.7	7.0
Deferred Federal Income Taxes	—	.4
Other	30.3	28.0
Total Other Current Liabilities	$52.0	$50.7

6. Long-Term Debt and Restrictions on Retained Earnings

A summary of long-term debt is as follows:

December 31	1982	1981
Instalment Notes 8.75% to 14.75%	$ 2.4	$ 2.3
Sinking Fund Debentures, 7.85% Due 1996, With Annual Payments	29.3	34.6
	31.7	36.9
Less Long-Term Debt Due Within One Year	(1.0)	(5.2)
Long-Term Debt	$30.7	$31.7

Annual long-term debt and sinking fund payments are as follows:

1983	$ 1.0
1984	1.1
1985	.3
1986	—
1987	1.8
1988 and after	27.5
	$31.7

During 1982 Western Auto purchased for $2.7 and cancelled $4.7 of outstanding debentures resulting in an after-tax gain of $1.0. The gain has been reported as an extraordinary item in the accompanying statement of income.

At December 31, 1982, the 7.85% debentures sinking fund requirement has been met through 1986 and a portion of 1987 through the purchase and cancellation of the necessary debentures.

The indenture relating to the 7.85% sinking fund debentures contains covenants that restrict the payment of dividends, restrict the purchase and retirement of Western Auto capital stock and limit investments and indebtedness. The amount of unrestricted retained earnings at December 31, 1982 was $35.5.

7. Profit Sharing and Retirement Plans

Western Auto and its subsidiaries have trusteed profit sharing plans and Western Auto has a trusteed retirement plan for substantially all full-time employees.

Contributions to the retirement plan charged to earnings for 1982, 1981 and 1980 were $4.0, $4.2 and $4.7, respectively. No contributions were made by Western Auto to the profit sharing plans in 1982, 1981 and 1980. Accumulated plan benefits and plan net assets for the defined benefit retirement plan were as follows:

January 1	1982	1981	1980
Actuarial Present Value of Accumulated Plan Benefits			
Vested	$20.1	$21.4	$24.1
Nonvested	2.2	2.5	2.7
Total Actuarial Present Value of Accumulated Plan Benefits	$22.3	$23.9	$26.8
Net Assets Available for Benefits	$41.9	$36.8	$32.1

(amounts in millions)

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 12.3% in 1982, 10.4% in 1981 and 8.4% in 1980.

8. Income Taxes

Deferred federal income taxes result from timing differences in recognition of income and expense for tax and financial reporting purposes. The sources and the tax effects of these differences were as follows:

	1982	1981	1980
Income From Credit Sales	$(2.7)	$ (.4)	$2.1
Depreciation	.2	.3	.4
Provision for Doubtful Accounts	(.3)	.5	(.3)
Advertising Costs	—	.5	(2.2)
Gain on Sale of Real Estate	.8	—	—
Other	(.1)	.8	(.1)
	$(2.1)	$1.7	$ (.1)

A reconciliation between the expected and the effective federal income tax rate follows:

	1982	1981	1980
Expected Federal Income Tax Rate	46.0%	46.0%	46.0%
Adjustments			
Gain on Sale of Real Estate Taxed at Lower Effective Rates	(6.0)	—	—
State Income Taxes	(3.0)	(2.7)	(5.3)
Investment Tax Credit	(.5)	(2.3)	(1.1)
Other	(.2)	(1.3)	—
Effective Federal Income Tax Rate	36.3%	39.7%	39.6%

9. Transactions with Affiliates

Western Auto sells to Beneficial, with recourse, customer receivables generated by retail stores and associate stores. Western Auto is paid 95% of the gross customer receivables sold and maintains the reserve for credit losses applicable to these receivables. Western Auto guarantees that the net earnings related to the receivables sold will not be less than 150% of interest requirements on debt and rentals for leased properties related directly to these receivables. Administration of the credit function for these receivables is performed by Western Auto. During 1982, 1981 and 1980, Beneficial paid Western Auto $18.1, $15.7 and $13.3, respectively, for administration of the receivables. This is reflected as a reduction of selling and administrative expense. The average of the month-end balance of receivables transferred to Beneficial was $102.4, $132.3 and $159.6 for 1982, 1981 and 1980, respectively.

During 1982 Western Auto paid Beneficial a $25.0 dividend in the form of customer receivables. These receivables have been included with receivables transferred to Beneficial in the accompanying balance sheet.

Premiums paid to an insurance subsidiary of Beneficial for employee group life and accident and health insurance for 1982, 1981 and 1980 were $.9, $3.3, and $3.7, respectively.

In 1980 Western Auto sold Beneficial instalment receivables with a face value of $2.2 for $1.2.

10. Leases

Western Auto and its subsidiaries occupy retail stores and use certain equipment and facilities under various operating leases. Rent expense, principally for retail facilities, for 1982, 1981 and 1980 was $8.6, $9.3 and $8.9, respectively. Lease commitments on real property are:

1983	$ 6.0
1984	5.4
1985	4.7
1986	3.5
1987	2.6
1988—1992	5.5
1993—1997	2.0
1998—2002	.6
	$30.3

It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum annual lease commitments will not be less than those shown for 1983. The minimum annual rentals do not include maintenance costs, real estate taxes, insurance, or additional amounts payable on percentage of sales.

11. Contingencies

A subsidiary of Western Auto has entered into agreements relating to the financing and development of condominium and land development projects in Texas. Pursuant to the agreements, Western Auto would be obligated, should there occur certain events and subject to other terms and conditions specified in the underlying financing agreements, to purchase from the project developers condominium units and/or land parcels which at the time had not been sold to third parties. The purchase price to be paid by Western Auto would be equal to the principal amount of outstanding indebtedness which at the time was owing from the developers to the banks providing the project financing, subject to a maximum of approximately $82.0, together with accrued interest. The aggregate principal amount of outstanding indebtedness of the developers to the banks at December 31, 1982 was $19.7.

Western Auto's obligation with respect to the aforementioned projects has been unconditionally guaranteed to the respective developers and banks by Beneficial.

12. Supplementary Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

Supplementary inflation adjusted information prepared in accordance with Financial Accounting Standard No. 33 is included in the Form 10-K of Western Auto filed with the Securities and Exchange Commission.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the consolidated balance sheets of Beneficial Corporation Merchandising Division as of December 31, 1982 and 1981 and the related consolidated statements of income and retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Beneficial Corporation Merchandising Division at December 31, 1982 and 1981 and the results of its operations and changes in its financial position for each of the years in the three year period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
January 31, 1983

Beneficial Corporation and Subsidiaries
Data by Calendar Quarter

Supplemental Information			1982
(in millions, except per share figures)	First Quarter	Second Quarter	Third Quarter
Revenue			
Finance Division	$ 368.4	$360.2	$369.9
Merchandising Division	154.9	157.8	144.5
Total	$ 523.3	$518.0	$514.4
Operating Income (Loss)			
Finance Division	$ 47.5	$ 40.8	$ 28.6
Merchandising Division	27.7	32.8	28.7
Total	$ 75.2	$ 73.6	$ 57.3
Net Income (Loss)			
Finance Division	$ 29.3	$ 27.3	$ 21.2
Merchandising Division	4.3	1.9	1.3
Interest Expense, After Income Taxes, Related to Investment in Merchandising Division	(2.2)	(2.2)	(2.3)
Income (Loss) From Continuing Operations	31.4	27.0	20.2
Discontinued Operations, After Income Taxes			
Income (Loss)	(11.0)	(8.9)	(5.4)
Interest Expense Related to Investment	(1.9)	(2.0)	(2.0)
Loss on Disposal	—	—	(78.5)
Loss From Discontinued Operations	(12.9)	(10.9)	(85.9)
Net Income (Loss)	$ 18.5	$ 16.1	$ (65.7)
Earnings Per Common Share			
Continuing Operations	$ 1.21	$ 1.03	$ .70
Discontinued Operations	(.58)	(.49)	(3.83)
Net Income (Loss)	$ .63	$ .54	$ (3.13)
Common Stock			
High Sales Price	$ 20.00	$20.00	$22.50
Low Sales Price	14.625	15.00	15.25
Dividends Paid Per Share	.50	.50	.50

				1981		
Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
$ 341.5	$1,440.0	$337.3	$ 346.2	$ 391.2	$391.4	$1,466.1
142.5	599.7	154.6	173.6	165.3	152.2	645.7
$ 484.0	$2,039.7	$491.9	$ 519.8	$ 556.5	$543.6	$2,111.8
$ (9.9)	$ 107.0	$ 28.0	$ 31.6	$ 16.4	$ 35.1	$ 111.1
30.3	119.5	29.6	36.4	33.2	30.7	129.9
$ 20.4	$ 226.5	$ 57.6	$ 68.0	$ 49.6	$ 65.8	$ 241.0
$ (1.1)	$ 76.7	$ 17.4	$ 16.8	$ 4.8	$ 22.9	$ 61.9
5.1	12.6	2.2	4.4	2.7	2.7	12.0
(4.3)	(11.0)	(1.7)	(1.8)	(1.8)	(1.9)	(7.2)
(.3)	78.3	17.9	19.4	5.7	23.7	66.7
—	(25.3)	(2.4)	(2.7)	(2.3)	(14.4)	(21.8)
—	(5.9)	(3.0)	(3.2)	(3.1)	(2.6)	(11.9)
—	(78.5)	—	—	(40.7)	—	(40.7)
—	(109.7)	(5.4)	(5.9)	(46.1)	(17.0)	(74.4)
$ (.3)	$ (31.4)	$ 12.5	$ 13.5	$ (40.4)	$ 6.7	$ (7.7)
$ (.21)	$ 2.73	$ .61	$ .67	$ .07	$ .87	$ 2.22
—	(4.90)	(.24)	(.26)	(2.07)	(.76)	(3.33)
$ (.21)	$ (2.17)	$ .37	$ .41	$ (2.00)	$ .11	$ (1.11)
$27.125		$24.00	$25.375	$25.125	$21.50	
21.75		19.50	20.75	19.25	18.50	
.50	$ 2.00	.50	.50	.50	.50	$ 2.00

Beneficial Corporation and Subsidiaries
Eleven-Year Summary

Supplemental Information		
(amounts in millions, except where noted)	1982	1981
During The Year		
Consolidated		
Income From Continuing Operations	$ 78.3	66.7
Income (Loss) From Discontinued Operations	$ (109.7)	(74.4)
Net Income (Loss)	$ (31.4)	(7.7)
Earnings Per Common Share (dollars)		
Continuing Operations	$ 2.73	2.22
Discontinued Operations	$ (4.90)	(3.33)
Net Income (Loss)	$ (2.17)	(1.11)
Average Number of Common Shares	22.4	22.3
Dividends Paid Per Common Share (dollars)	$ 2.00	2.00
Finance Division		
Volume of Finance Receivables Acquired Less Unearned Finance Charges (b	$1,911.2	2,708.7
Number of Finance Receivables Acquired (b	.8	1.4
Average Amount of Transaction (dollars) (b	$ 2,262	1,940
% of Monthly Cash Principal Collections to Average Monthly Balances	3.64	3.85
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	2.45	2.17
Revenue	$1,440.0	1,466.1
Interest	$ 425.2	458.7
Provision for Credit Losses (less recoveries)	$ 114.9	108.3
Total Expenses	$1,333.0	1,355.0
Income Before Income Taxes	$ 107.0	99.5
Income From Finance Division	$ 76.7	61.9
% of Income From Finance Division to Revenue	5.33	4.22
Merchandising Division		
Net Sales and Other Revenue	$ 599.7	645.7
Income (Loss) Before Income Taxes	$ 20.1(a	21.9
Income (Loss) From Merchandising Division	$ 11.6(a	12.0
% of Income (Loss) From Merchandising Division to Net Sales and Other Revenue	1.93	1.86
Interest Expense, After Income Taxes, Related to Investment in Merchandising Division	$ (11.0)	(7.2)
At Year End		
Consolidated		
Total Assets	$6,063.0	6,373.2
Short-Term Debt	$ 432.0	1,042.3
Long-Term Debt	$3,558.9	3,357.3
Redeemable Preferred Stock	$ 125.0	125.0
Shareholders' Equity Excluding Redeemable Preferred Stock	$ 785.3	878.5
Number of Employees	13,000	16,800
Number of Holders of Common Stock	27,700	29,400
Finance Division		
Principal of Finance Receivables	$4,256.3	4,445.8
Reserve for Credit Losses	$ 188.3	196.5
% of Reserve for Credit Losses to Principal of Finance Receivables	4.42	4.42
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment) (c	1.37	1.54
Number of Accounts	2.1	2.5
Average Account Balance (dollars)	$ 2,048	1,811

a) Excludes extraordinary credit of $1.0 in 1982 and $12.1 in 1974.
b) Excludes bank credit card receivables.
c) Excludes receivables of West German subsidiary.

1980	1979	1978	1977	1976	1975	1974	1973	1972
99.9	87.3	93.8	82.3	97.7	71.3	60.8(a	69.7	78.6
(6.1)	13.0	4.5	3.4	2.7	2.1	2.9	6.1	3.6
93.8	100.3	98.3	85.7	100.4	73.4	63.7(a	75.8	82.2
3.71	3.62	3.98	3.48	4.39	3.23	2.68(a	3.18	3.72
(.27)	.59	.21	.16	.13	.11	.15	.33	.20
3.44	4.21	4.19	3.64	4.52	3.34	2.83(a	3.51	3.92
22.3	22.2	22.1	21.8	20.4	19.1	19.1	18.7	18.4
2.00	1.95	1.70	1.60	1.4375	1.25	1.25	1.20	1.10
2,734.5	3,226.4	2,690.3	2,261.9	1,900.3	1,553.6	1,669.2	1,739.4	1,632.9
1.8	2.8	2.4	2.1	1.8	1.5	1.9	2.2	2.1
1,520	1,177	1,098	1,063	1,057	1,028	885	799	759
4.01	4.37	4.43	4.34	4.35	4.28	4.45	4.94	4.90
2.34	1.87	1.57	1.74	2.04	2.42	2.12	1.82	1.56
1,323.2	982.9	769.5	640.4	536.5	460.3	452.5	416.3	376.9
395.4	243.8	162.4	124.1	95.6	82.7	90.8	76.6	63.3
107.2	102.4	70.9	65.7	60.4	54.8	51.1	40.8	34.0
1,166.7	828.1	593.2	483.4	399.3	344.2	345.8	302.6	263.9
154.5	155.4	174.1	153.7	132.5	110.0	95.5	112.6	114.7
100.6	98.8	101.5	86.4	73.0	58.3	51.2	58.7	65.1
7.60	10.05	13.19	13.49	13.61	12.67	11.31	14.10	17.27
669.5	750.7	745.8	801.7	847.0	653.1	643.2	632.0	566.8
9.6	(9.8)	(3.2)	2.6	59.8	37.5	29.3	29.2	34.4
4.8	(4.6)	(1.7)	1.4	30.1	18.1	14.6	15.3	17.3
.72	(.61)	(.23)	.17	3.55	2.77	2.27	2.42	3.05
(5.5)	(7.0)	(6.0)	(5.5)	(5.4)	(5.1)	(5.0)	(4.4)	(3.8)

6,031.4	6,029.2	3,881.1	3,321.2	2,727.9	2,545.0	2,435.0	2,356.3	2,285.4
746.7	926.8	478.9	375.3	267.4	279.4	265.0	240.6	231.2
3,336.0	3,324.7	2,210.0	1,861.7	1,492.9	1,355.3	1,360.5	1,353.3	1,302.4
125.0	103.0	—	—	—	—	—	—	—
954.7	926.1	886.5	835.1	791.2	723.8	689.0	637.5	591.2
23,300	26,400	25,500	25,100	24,900	26,600	29,300	32,900	33,100
31,200	32,000	33,200	32,700	31,700	29,900	30,000	29,300	29,300
4,252.9	4,264.0	3,015.4	2,526.2	2,085.0	1,828.4	1,781.5	1,700.7	1,579.7
194.8	203.7	147.8	126.3	106.3	95.0	92.6	86.7	82.1
4.58	4.78	4.90	5.00	5.10	5.20	5.20	5.10	5.20
1.55	1.26	1.15	1.08	1.19	1.29	1.28	1.15	.99
3.2	3.7	3.0	2.5	2.1	2.0	2.1	2.2	2.2
1,344	1,154	1,013	1,031	995	911	833	756	711

Beneficial Corporation is a direct issuer of commercial paper to institutional and other corporate investors. Notes are sold in amounts of $100,000 or more, for maturities of 5 to 270 days, at competitive market rates. Daily rates for Beneficial commercial paper are posted nationally on the TELERATE SYSTEM next to the symbol "BNL." For further information, or to place an order, please call (201) 781-3614.

Media representatives and others seeking general information about the Company should contact Mr. Clifford W. Snyder at (201) 781-3131.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. Andrew C. Halvorsen at (201) 781-3601 or Mr. William H.H. Ely at (201) 781-3604.

Copies of the Company's 10-K report to the SEC are available upon request from Mr. Kenneth J. Kircher, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Friday, April 29, 1983 at 11 a.m. in the Company's headquarters, Beneficial Building, 1100 Carr Road, Wilmington, Delaware.

Morgan Guaranty Trust Company of New York, New York is both registrar and transfer agent for all classes of Beneficial Corporation common and preferred stock.

Produced and Designed by Shareholder Reports, Inc.

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Beneficial Corporation
Wilmington, Delaware 19899

AR31

BENEFICIAL CORPORATION

Beneficial Building, Wilmington, Delaware 19899

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 30, 1982

The annual meeting of the stockholders of Beneficial Corporation, a Delaware corporation, will be held on Friday, April 30, 1982, at the office of the Company, Beneficial Building, 1100 Carr Road, Wilmington, Delaware, at 11 A.M. Wilmington time, for the following purposes: (1) electing directors of the Company, (2) ratifying the action of the Board of Directors in selecting the firm of Deloitte Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1982 and (3) transacting such other business as may properly be brought before the meeting.

Only shares of Common Stock, $4.30 Dividend Cumulative Preferred Stock and $5.50 Dividend Cumulative Convertible Preferred Stock may be voted at the meeting. The close of business on March 5, 1982 has been set as the record date for the purpose of determining stockholders entitled to notice of and to vote at the meeting. Stockholders who cannot personally attend the meeting and who wish to have their stock voted are requested to complete and sign the accompanying proxy (proxies) and return it (them) as soon as possible. No postage is required if mailed in the United States, its territories and possessions, in the enclosed envelope.

A summary post-meeting report will be mailed to all stockholders.

Kenneth J. Kircher
Vice President and Secretary

Dated: March 22, 1982

March 22, 1982

BENEFICIAL CORPORATION

Beneficial Building, Wilmington, Delaware 19899

ANNUAL MEETING OF STOCKHOLDERS

April 30, 1982

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors for use at the annual meeting of stockholders of the Company to be held on April 30, 1982. The shares represented by each such proxy will be voted at the meeting in accordance with the specifications made thereon by the stockholder. The person giving a proxy has the power to revoke it any time before it has been voted.

VOTING SECURITIES

The close of business on March 5, 1982 has been set as the record date for the purpose of determining stockholders entitled to vote at the meeting. Each share of Common Stock and $4.30 Dividend Cumulative Preferred Stock is entitled to one vote, and each share of $5.50 Dividend Cumulative Convertible Preferred Stock is entitled to four and one-half votes. All of such classes will vote as a single class.

On February 28, 1982 the number of securities outstanding and entitled to vote was 21,966,810 shares of Common Stock, 836,585 shares of $4.30 Dividend Cumulative Preferred Stock and 90,211 shares of $5.50 Dividend Cumulative Convertible Preferred Stock. The aggregate number of votes entitled to be cast at the meeting as of February 28, 1982, with all of such classes voting as a single class, is 23,209,344.

ELECTION OF DIRECTORS

It is intended that, unless authority is withheld, votes will be cast pursuant to the accompanying proxy for the election of a Board of Directors of fifteen consisting of the persons named below, all of whom are presently directors, for terms of one year and until their successors are elected. Each nominee was elected a director at the Company's 1981 Annual Meeting of Stockholders, and each has expressed willingness to serve as a director during the coming year. The proxy may be voted for the election of other persons as directors in case any of those named below are unable to serve for any reason.

The names of the nominees for director, together with certain information regarding them, are as follows:

Name of Director, Age, Principal Occupation and Other Affiliations	Year First Elected a Director
Cecil M. Benadom, 72 — Retired; Member of Executive and Audit Committees of the Company	1965
Charles W. Bower, 60 — Retired; Member of Executive and Finance Committees of the Company	1969
Robert C. Cannada, 61 — Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi; Member of Compensation and Audit Committees of the Company	1975
Elbert N. Carvel, 71 — Vice Chairman of the Board of Trustees of University of Delaware; Chairman of Board of Directors of Peoples Bank and Trust Company, a subsidiary of the Company	1975
Finn M. W. Caspersen, 40 — Chairman of Board of Directors and Chief Executive Officer, Chairman of Executive Committee and Committee on Strategic Planning and Evaluation and Member of Finance Committee of the Company; Director, The Coleman Company, Inc.	1975
Freda R. Caspersen, 73 — Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware; Member of Compensation Committee of the Company	1972
George R. Evans, 71 — Retired; Member of Executive and Finance Committees and Committee on Strategic Planning and Evaluation of the Company	1973
Gerald L. Holm, 43 — Vice Chairman of Board of Directors, Member of Executive Committee and Committee on Strategic Planning and Evaluation of the Company	1979
R. Donald Quackenbush, 60 — Chairman of Board of Directors of the Company's Insurance subsidiaries; Executive Vice President—Insurance of Beneficial Management Corporation, a subsidiary of the Company	1979
Susan Julia Ross, 38 — Attorney at Law, Natelson and Ross, Taos, New Mexico; Member of Committee on Strategic Planning and Evaluation and Audit Committee of the Company	1979
Robert A. Tucker, 55 — Member of Office of the President, First Vice President and Chief Financial Officer, Member of Executive Committee and Chairman of Finance Committee of the Company	1959
E. Norman Veasey, 49 — Attorney at Law, Richards, Layton & Finger, P.A., Wilmington, Delaware; Member of Committee on Strategic Planning and Evaluation and Compensation Committee of the Company	1979
Arthur T. Ward, Jr., 70 — Medical doctor and businessman, Baltimore, Maryland; Member of Committee on Strategic Planning and Evaluation and Compensation Committee of the Company	1975
Charles H. Watts, II, 55 — General Director, Member of Executive Committee and Committee on Strategic Planning and Evaluation and Chairman of Audit Committee of the Company	1959
K. Martin Worthy, 61 — Attorney at Law, Hamel, Park, McCabe & Saunders, Washington, D.C.; Chairman of Compensation Committee of the Company	1977

During the last five years the principal occupation and employment of each director has been as listed in the table above, except that the Audit Committee and the Committee on Strategic Planning and Evaluation were established in 1977 and 1980, respectively, and except that:

Mr. Bower was Senior Vice President (1970 to 1981) and Treasurer (1968 to 1981) of the Company.

Mr. Evans was First Vice Chairman of Board of Directors and Member of Office of President (1977 to 1981) of the Company and President (1974 to 1978) and Chief Executive Officer (1978 to 1979) of Beneficial Management Corporation. From December 11, 1979 to February 5, 1980, Mr. Evans was

Chairman of the Board of Directors and Chief Executive Officer of Western Auto Supply Company, a subsidiary of the Company.

Mr. Holm was Executive Vice President (1979 to 1981) and a Vice President (1973 to 1979) of Beneficial Management Corporation and President (1974 to 1979) of Beneficial Data Processing Corporation, a subsidiary of the Company.

Mr. Quackenbush was President of the Company's Insurance Subsidiaries (1970 to 1977) and a member of the Executive Committee (1978 to present) and Senior Vice President-Insurance (1977 to 1978) of Beneficial Management Corporation.

Mr. Watts was Director, Campaign for Brown University, Providence, Rhode Island (1978 to 1980) and an educational and business consultant (1977 to 1978).

Messrs. Caspersen, Holm, Tucker and Watts are members of the Board of Directors of First Texas Financial Corporation of Delaware and Western Auto Supply Company, subsidiaries of the Company.

The firms of Butler, Snow, O'Mara, Stevens & Cannada, of which Mr. Cannada is a member, Richards, Layton & Finger, P.A., of which Mr. Veasey is a member, and Hamel, Park, McCabe & Saunders, of which Mr. Worthy is a member, performed legal services in 1980 and 1981 for the Company and its subsidiaries. Such firms are currently performing legal services for the Company and its subsidiaries.

There are no family relationships between any nominees or any nominees and executive officers of the Company and its subsidiaries, except that Mr. Finn M. W. Caspersen is the son of Mrs. Freda R. Caspersen and Mr. George R. Evans is the father-in-law of Mr. David J. Farris, President and Chief Executive Officer of Beneficial Management Corporation.

As of February 1, 1982, the Company's directors and nominees for directors, and its directors and officers as a group, beneficially owned the amounts of equity securities of the Company shown in the following table:

	Equity Securities of the Company Beneficially Owned (1)			
Name of Person or Group	Common Stock	% of Class	5% Pfd. Stock	% of Class
Cecil M. Benadom (2) (3) (4) (5)	110,861	0.5	29	*
Charles W. Bower (4) (5)	110,865	0.5	—	—
Robert C. Cannada (2)	3,301	*	—	—
Elbert N. Carvel (2)	10,450	*	—	—
Finn M. W. Caspersen (2) (4) (5) (7) (8)	763,113	3.4	2,084	0.5
Freda R. Caspersen (7) (9)	394,710	1.8	1,343	*
George R. Evans (5)	15,681	*	18	*
Gerald L. Holm (5)	5,255	*	—	—
R. Donald Quackenbush (2)	8,960	*	—	—
Susan Julia Ross	390	*	—	—
Robert A. Tucker (2) (4) (5) (6) (9) (10)	661,776	3.0	23,207	5.7
E. Norman Veasey	408	*	—	—
Arthur T. Ward, Jr. (2) (11)	16,120	*	420	*
Charles H. Watts, II (2) (4)	232,232	1.0	1,333	*
K. Martin Worthy	1,867	*	—	—
All directors and officers as a group (25 persons) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11)	1,431,973	6.5	26,563	6.5

In addition, as of such date Mr. Tucker owned 67* shares of the Company's $4.50 Dividend Cumulative Preferred Stock as to 40 shares of which he shares voting and investment power with others.

*Less than 0.5% of class.

(1) Unless otherwise indicated below, each director possesses sole voting and investment power with respect to the shares shown opposite his or her name in the table.

(2) Includes shares of Common Stock owned by wives of certain members of the families of nominees, as to which such nominees disclaim beneficial ownership, as follows: Mr. Benadom—378 shares; Mr. Cannada—316 shares; Mr. Carvel—2,500 shares; Mr. Caspersen—5,445 shares; Mr. Quackenbush—50 shares; Mr. Tucker—1,202 shares; Mr. Ward—9,418 shares; and Mr. Watts—11,896 shares.

(3) Includes 422 shares of Common Stock which Mr. Benadom has the right to receive in March, 1982 under the Company's Incentive Compensation Plan.

(4) Includes 205,039 shares of Common Stock held by three trusts as to which Messrs. Caspersen and Watts and others serve as trustees (sharing voting and investment power), shown as beneficially owned by each of them. As to Messrs. Benadom, Bower, and Tucker, includes 99,397, 99,397 and 155,340 shares of Common Stock, respectively, held by two such trusts with respect to which they act as trustees (sharing voting and investment power), shown as beneficially owned by each of them. Also includes 596 shares of 5% Cumulative Preferred Stock ("5% Stock") owned by one such trust, shown as beneficially owned by Messrs. Caspersen, Tucker and Watts.

(5) Excludes shares owned by the Hodson Trust. For information concerning shares held by this trust see *Principal Stockholders*.

(6) Includes 276,631 shares of Common Stock and 21,879 shares of 5% Stock owned by the Beneficial Corporation and Subsidiaries Employees' Retirement Plan, as to which Mr. Tucker and four other persons serve as trustees (sharing voting and investment power), shown as beneficially owned by Mr. Tucker.

(7) Includes 295,240 shares of Common Stock as to which Finn M. W. Caspersen and Freda R. Caspersen share voting and investment power, shown as beneficially owned by each of them. As to 5,224 of such shares, such voting and investment power is shared with others.

(8) Includes 179,164 shares of Common Stock and 1,170 shares of 5% Stock (other than shares referred to in notes 2, 4 and 7 above) as to which Mr. Caspersen shares voting and investment power with others.

(9) Includes 59,611 shares of Common Stock and 679 shares of 5% Stock owned by Beneficial Foundation, Inc. as to which Mrs. Caspersen, Mr. Tucker and others share voting and investment power, shown as beneficially owned by each of them.

(10) Includes 85,180 shares of Common Stock (other than those referred to in notes 2, 4, 5 and 8 above) and 40 shares of $4.50 Dividend Cumulative Preferred Stock as to which Mr. Tucker shares voting and investment power with others.

(11) Includes 4,161 shares of Common Stock and 420 shares of 5% Stock as to which Mr. Ward shares voting and investment power with others.

The Board's Audit Committee met four times in 1981. Its duties are (a) to recommend to the Board a firm of independent public accountants to be nominated for election by the stockholders to act as the Company's independent auditors, (b) to confer with the Company's independent auditors as to the scope of their proposed audit, (c) to review the findings and recommendations of the independent auditors on completion of the audit and to consider any problems encountered by them in conducting the audit and (d) to review the Company's internal audit controls and to provide a liaison with the Company's internal auditors. However, the Committee's duties do not include accounting and auditing management functions assigned to the Company's officers and other executives. The Board's Compensation Committee held one meeting in 1981. Its function is to fix the compensation of officers and key employees of the Company and certain subsidiaries, and to supervise the Company's Incentive Compensation Plan. The Board's Finance Committee met 28 times in 1981. The Finance Committee, between meetings of the Board, may exercise all powers of the Board with respect to financing the operations of the Company.

The Board's Executive Committee may exercise substantially all the authority of the Board (other than powers which the Board has specifically delegated to other committees) during the intervals between the meetings of the Board. In 1981 the Executive Committee of the Board held fourteen meetings. The Board's Committee on Strategic Planning and Evaluation is responsible for (a) undertaking such studies and evaluations as it shall deem necessary for the current corporate strategy and the social, political and economic environment within which the Company exists and (b) recommending to the Board such changes in the function and composition of the Board, including new or additional members, as will best equip the Board to fulfill its duties. The Committee held four meetings in 1981. The Board held four meetings during 1981. The overall attendance record of Directors of the Company at meetings of the Board and Committees of the Board during 1981 was 97.5%.

The Committee on Strategic Planning and Evaluation will consider recommendations of nominees for election to the Board submitted by stockholders. Any stockholder may recommend such nominees by writing to the Committee at the following address: Committee on Strategic Planning and Evaluation—Board of Directors, Beneficial Corporation, 1100 Carr Road, Wilmington, Delaware 19899, Attention: Kenneth J. Kircher, Vice President and Secretary.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding each person who, to the Company's knowledge, owned on the date indicated more than 5% of any class of the Company's outstanding voting securities:

Name and Address of Stockholder	Common Stock	% of Class Owned
Hodson Trust 200 South Street Morristown, New Jersey 07960	1,529,361(1)	6.9
Investors Diversified Services, Inc. IDS Tower Minneapolis, MN 55402	1,172,500(2)	5.3

(1) As of February 1, 1982, the Hodson Trust held of record the shares indicated in the table and 9,038 shares of 5% Cumulative Preferred Stock (approximately 2.2% of such class). Messrs. Benadom, Bower, Caspersen, Evans, Holm, and Tucker and one other person serve as trustees of such trust and share voting and investment power, but have no interest in the principal or income of such trust. Such shares would be regarded as beneficially owned by each such person under Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) Based on information contained in report on Schedule 13G of Investors Diversified Services, Inc. ("IDS"), dated as of December 31, 1981, filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. IDS, an Investment Adviser registered under Section 203 of the Investment Advisers Act of 1940, shares investment power but has no voting power with respect to such shares.

REMUNERATION

The following tabulation sets forth the aggregate remuneration paid by the Company and its subsidiaries during 1981 to (a) each of the five most highly compensated directors or officers of the Company whose total cash and cash-equivalent remuneration exceeded $50,000, for services in the capacities indicated, and (b) all directors and officers of the Company as a group.

		Cash and Cash-equivalent Forms of Remuneration(*)		
Name of Individual or Number of Persons In Group	**Capacities In Which Served**	**Salaries, Fees, Directors' Fees, Commissions, and Bonuses**	**Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits**	**Aggregate of Contingent Forms of Remuneration(*)**
Finn M. W. Caspersen	Chairman of Board of Directors and Chief Executive Officer, Director, Chairman of Executive Committee, Chairman of Committee on Strategic Planning and Evaluation and Member of Finance Committee of the Company	$ 378,065	$ 17,349	$ 33,194
George R. Evans (**)	First Vice Chairman of Board of Directors, Member of Office of the President, Director and Member of Executive and Finance Committees and Committee on Strategic Planning and Evaluation of the Company	307,850	14,239	21,127
R. Donald Quackenbush	Chairman of Board of Directors of the Company's Insurance subsidiaries; Executive Vice President-Insurance of Beneficial Management Corporation; Director of the Company	218,350	11,699	8,486
Robert A. Tucker	Member of Office of the President, First Vice President and Chief Financial Officer, Director and Member of Executive Committee and Chairman of Finance Committee of the Company	291,600	9,500	—
Richard A. Wagner (***)	President and Chief Executive Officer of Beneficial Management Corporation; Director of the Company	243,700	11,968	11,564
24 directors and officers as a group		2,718,120	137,345	144,219

COMPENSATION PLANS AND ARRANGEMENTS

Incentive Compensation Plan. This Plan was terminated by the Board of Directors during 1978 except to the extent necessary to make distributions of awards granted under the Plan prior to that date. Under the Plan, in-service annual awards were granted to certain officers and key employees of the Company and its subsidiaries who were selected in certain years by the Compensation Committee of the Board of Directors. Awards are payable in equal quarter-annual installments over a ten-year period

(*) The amounts of remuneration shown in this Proxy Statement have been determined in accordance with applicable regulations under the Securities Exchange Act of 1934, as amended. Such amounts do not include payments to or for the benefit of directors or officers for any part of 1981 during which they did not serve as such.

(**) Retired as First Vice Chairman of Board of Directors and Member of Office of the President of the Company on December 31, 1981.

(***) Retired as President and Chief Executive Officer of Beneficial Management Corporation and resigned from Board of Directors of the Company on December 31, 1981.

following termination of employment. During such period, interest is payable on cash balances and dividend equivalents are payable on shares not yet delivered.

Two types of awards, Plan A Units and Plan B Units, have been granted under the Plan. Plan A Units were awarded only in 1957. Each Plan A Unit entitles a participant to an amount in cash equal to the excess, if any, of the market value at the time of severance of employment of one share of the Company's Common Stock (including adjustments for stock dividends, etc.) over 95% of the fair market value of such share determined as of the date the Unit was awarded ($9.18 per share (adjusted) as of December 2, 1957). Plan B Units were awarded in 1957 and all subsequent years through 1970. No such awards were made thereafter. Each Plan B Unit entitles a participant at retirement to one share of the Company's Common Stock and a sum, payable in cash, equal to the amount of dividends paid per share on outstanding shares of Common Stock from the time of the award to termination of employment. The market value of a share of Common Stock at the time of realization (including adjustments for stock dividends, etc.) may be more or less than the market value at the time of the awards.

At December 31, 1981 the following awards under the Plan stood to the credit of directors and officers listed or included in the table on Page 6: Mr. Evans—1,659 Plan B Units; Mr. Tucker—321 Plan A Units and 8,398 Plan B Units; Mr. Wagner—441 Plan B Units; and the 7 directors and officers eligible to participate in the Plan, as a group—1,025 Plan A Units and 13,067 Plan B Units. At such date, a total of 1,025 Plan A Units and 19,975 Plan B Units were outstanding. In addition, at such date, Mr. Benadom, who had previously retired as an officer, was entitled to receive $20,766 in cash attributable to Plan A Units, and 8,443 shares of Common Stock and $112,810 in cash attributable to Plan B Units, awarded under the Plan prior to retirement.

Employees' Retirement Plan. Under this Plan, an employee's annual benefit upon retirement at normal retirement date will be based upon 1½% of his or her highest applicable average annual salary in any 3 consecutive years of service prior to the normal retirement date, multiplied by the employee's years of service up to 40 years, less one-half of annual social security benefits and certain other deductions. The maximum annual retirement benefit under the Plan is the lesser of (a) 60% of an employee's highest average applicable annual base salary for three years, or (b) $136,425, subject to inflation-related adjustments. The actuarial value of an employee's annual retirement benefit may be paid in a single payment upon retirement. The Plan also contains provisions for early retirement benefits and payments to a vested employee who leaves the employ of the Company prior to retirement.

For Plan purposes, salary is defined to include wages paid, bonuses and other special compensation but not overtime payments, Company contributions under the Employees' Stock Purchase Plan or the Tax Credit Employee Stock Ownership Plan and taxable group insurance premiums. For officers included in the table on Page 6, salary includes all items reported in the third column of such table, except directors fees. Benefits under the Plan are fully vested after 10 years of cumulative service or at age 65. Messrs. Caspersen, Quackenbush and Tucker had approximately 10, 22 and 28 years of service respectively, credited under the Plan through 1981.

The table below illustrates the estimated annual benefits, based on the indicated applicable average annual salary and years of service upon retirement, payable upon retirement under the Plan to a participant who retires at the end of the calendar year in which age 65 is attained.

	Estimated Annual Retirement Benefit		
Applicable Average Annual Salary	15 Years of Service	25 Years of Service	35 Years of Service
$150,000	$33,750	$ 56,250	$ 78,750
200,000	45,000	75,000	105,000
250,000	56,250	93,750	131,250
300,000	67,500	112,500	136,425
400,000	90,000	136,425	136,425

Employees' Stock Purchase Plan. Under this Plan, directors and eligible employees of the Company and those of participating subsidiaries, including officers, may elect to contribute funds for the purchase

of shares of the Company's Common Stock and will receive from the Company a contribution of additional shares, subject to certain vesting rights set forth in the Plan. The maximum amount which may be contributed by a participant in a calendar year may not exceed an amount equal to 20% of the participant's "Annual Compensation" (as defined in the Plan) for such year.

As shares of Common Stock purchased with participant's contributions are credited to a participant's account, a number of unvested "share units" are also credited to the participant's account as follows: (1) for the first $1,000 contributed under the Plan in each year, each participant is credited a number of share units equal to the full number of shares credited to such participant's account; and (2) for all amounts in excess of $1,000 contributed in each year, each participant is credited a number of share units equal to 50% of the number of shares purchased with such additional funds and credited to the participant's account.

Share units entitle a participant to receive on each dividend payment date for the Company's Common Stock a cash amount equal to the amount of the dividend that such participant would have received had he or she been, on the record date for payment of such dividend, the owner of a number of shares of such stock equal to the number of such credited share units.

Share units become fully vested in a participant only after the earlier of (a) the expiration of a period of three years following the date on which such share units were credited, or (b) the date on which a participant's employment or service as a director is terminated for any of the reasons set forth in the Plan. In 1981, the Plan was amended to accelerate benefits for employees of subsidiaries being sold or liquidated by the Company.

At December 31, 1981, the following awards under the Plan stood to the credit of directors and officers listed or included in the table on Page 6 as a result of their respective contributions to the Plan: Mr. Caspersen—4,360 share units; Mr. Evans—3,865 share units; Mr. Quackenbush—1,809 share units; Mr. Wagner—2,664 share units; and the 22 directors and officers eligible to participate in the Plan, as a group—23,383 share units.

Tax Credit Employee Stock Ownership Plan (TRASOP). Under this Plan, the Company contributes funds which are used to purchase shares of the Company's Common Stock for individual accounts maintained by an independent trustee for eligible employees of the Company and participating subsidiaries. All Company contributions under the Plan are totally refundable through tax credits available under Federal tax laws and have no effect on net income. Company contributions are generally equal to 1% of the sum invested by the Company and its consolidated subsidiaries in certain tangible personal property and allocations to employee accounts are based upon the ratio an employee's compensation bears to the total compensation of all eligible employees. In addition, eligible employees are permitted to make voluntary contributions up to a maximum of 6% of their compensation or the maximum aggregate amount of employee contributions of ½% of the Company's qualified investment and the Company will match such voluntary contributions with additional contributions to the Plan. Compensation is defined in the Plan to include all wages paid during the calendar year, including bonuses, commissions, and any other special form of remuneration, but does not include Company contributions under the Employees' Stock Purchase Plan, taxable group life insurance premiums or certain moving expenses and may not in any event exceed $100,000.

Salaried full-time employees are eligible to participate in the Plan if they are at least 25 years of age and have been employed by the Company or a participating subsidiary for not less than three years. Dividends received by the trustee for the account of a participant are reinvested in shares of Common Stock of the Company and shares of Common Stock purchased under the Plan are voted by the trustee in accordance with instructions received from each participant. Participants are fully vested and have a nonforfeitable interest in their respective accounts at all times. Participants are entitled to receive the shares in such accounts only upon retirement or termination of employment with the Company or a participating subsidiary and they may elect to have the value of all or a portion of the Common Stock credited to their account distributed in cash.

At December 31, 1981, the following shares under the Plan stood to the credit of the officers listed or included in the table on Page 6: Mr. Caspersen—1,446 shares; Mr. Evans—1,446 shares; Mr. Quackenbush—1,446 shares; Mr. Tucker—1,381 shares; Mr. Wagner—1,446 shares; and the 12 officers eligible to participate in the Plan, as a group—15,109 shares.

Employment Contracts with Certain Officers. The Company is currently offering employment contracts to approximately 250 key officers of the Company and its subsidiaries holding the rank of Assistant Vice President (or its equivalent) or above. The officers are those who are responsible for the overall operations and the day-to-day business activities of the Company and its subsidiaries and includes all officers covered by the remuneration table.

The Board of Directors, through an Ad Hoc Committee on Employment Contracts, composed of Messrs. Evans, Veasey and Watts, has taken such action in order to assure such key employees (and those who may be offered key positions in the future) of equitable treatment in the event of a change of control of the Company (as defined in the contracts) not approved by the Company's Board of Directors.

The employment contracts will be operative for a three-year period if a change of control occurs. They will provide key employees (a) compensation during the employment period at a rate equal to that existing immediately prior to the change in control, adjusted through such period to reflect increases based upon the Company's prior practices, and (b) continued eligibility during such period under the Company's employee benefits plans. A key employee's good faith determination that the nature and scope of his or her duties has been limited following a change of control would entitle the employee to terminate employment with the Company. In that event or the event of a termination of employment by the Company other than for cause, most components of such compensation and benefits would continue through the remainder of the three-year period.

Other Compensation Plans and Arrangements. Directors of the Company who are not employees receive for their services $1,500 per quarter and $1,500 for each meeting attended. Directors who are also employees receive for their services as directors $200 for each meeting of the Board attended. Non-employee directors who are members of the Executive Committee receive $1,500 per meeting attended and those who are members of the Audit Committee, Compensation Committee or Committee on Strategic Planning and Evaluation receive $1,000 for each meeting attended. Non-employee directors who are Committee Chairpersons also receive $500 for each meeting attended. In addition, a non-employee director designated by the Board as a General Director receives a fee of $1,000 per day (provided such fees do not exceed a maximum of $50,000 per year) and reasonable travel expenses for each day devoted to carrying out such responsibilities as the Board may from time to time designate. Payment of such meeting and service fees may be deferred until a director either reaches the age of 72 (age 70 for directors who first elect to defer payment after January 1, 1981) or terminates his or her relationship with the Company. As of January 1, 1981, such deferred fees bear interest at an annual rate equal to the average annual interest cost of all short and long-term borrowings by the Company and consolidated subsidiaries. Prior to 1981, interest was payable on such deferred fees at the rate of 6% per annum. The rate in effect for 1981 was 11.4%.

The Company has employment agreements with Messrs. Evans and Wagner which provide that for periods of three and two years following retirement, respectively, each will (a) render advisory and consulting services to the Company and (b) not engage in any enterprise in competition with the business of the Company or any of its subsidiaries. For consulting services rendered under his agreement with the Company, Mr. Wagner is to receive $240,000 in 1982 and $215,000 in 1983. Mr. Evans renders such services under his agreement without compensation.

In order to allow the Company to avail itself of the experience of retired directors, it is the Company's policy to pay each director who, after November 26, 1979 (a) ceases to be a director after at least five years of service and after having attained the age of 70 years or (b) has served for ten years and either resigns voluntarily or decides not to stand for re-election, the sum of $3,000 per quarter if such retired director agrees to be available to render advice to the Board, its Executive Committee or any of its members. Directors who retired prior to November 26, 1979 under the same conditions stated above receive $2,000 per quarter.

During 1981, three nominees, Messrs. Caspersen, Tucker and Watts, had loans outstanding with Peoples Bank and Trust Company, a subsidiary of the Company. In addition, Central Grain, Inc., an associate of Mr. Carvel, and Clark Hill Sugary, Inc., an associate of Mr. Caspersen, also had loans outstanding with Peoples Bank and Trust Company during 1981. All loans were made by Peoples Bank and Trust Company in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risk of collectibility or present other unfavorable features.

The firms of Butler, Snow, O'Mara, Stevens & Cannada, of which Mr. Cannada is a member, Richards, Layton & Finger, P.A., of which Mr. Veasey is a member, and Hamel, Park, McCabe & Saunders, of which Mr. Worthy is a member, received $7,907; $72,451 and $120,110, respectively, for services performed for the Company and its subsidiaries in 1981.

This Proxy Statement includes a description of transactions between the Company and its subsidiaries and directors and officers of the Company only for periods during which they served as such.

SELECTION OF AUDITORS

The Board of Directors, upon recommendation of the Audit Committee which is composed of four directors who are not officers or employees of the Company, has selected, subject to stockholder approval, the firm of Deloitte Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1982 and it is intended that, unless otherwise specified on the accompanying proxy, votes will be cast pursuant to the proxy for the ratification of such action. As in prior years, a representative of Deloitte Haskins & Sells is expected to be present at the meeting and to be available to respond to appropriate questions. The representative also will have an opportunity to make a statement if he or she so desires.

Audit services rendered by Deloitte Haskins & Sells to the Company in 1981 included examination of the annual financial statements, review of unaudited quarterly financial information, assistance and consultation in connection with Securities and Exchange Commission reports and registration statements and consultation in connection with various accounting matters. All services provided by Deloitte Haskins & Sells were approved by the Audit Committee of the Board in most but not all cases before they were rendered.

OTHER BUSINESS

The Board of Directors does not know of any matters to come before the meeting other than those referred to in the Notice of the meeting. If any other matters should come before the meeting, the accompanying proxy will be voted on such other matters in accordance with the judgment of the person or persons voting the proxy.

STOCKHOLDER PROPOSALS FOR 1983 ANNUAL MEETING

Stockholder proposals for the 1983 Annual Meeting must be received at the executive offices of the Company, 1100 Carr Road, Wilmington, Delaware 19899, not later than December 22, 1982 for inclusion in the 1983 proxy statement and form of proxy.

FORM 10-K

The Company will furnish without charge to each stockholder, upon his or her written request, a copy of the Company's Annual Report on Form 10-K for the year 1981 which the Company is required to file with the Securities and Exchange Commission, including the financial statements and the schedules thereto.

Requests should be addressed to: Mr. Kenneth J. Kircher, Vice President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

COST OF SOLICITATION OF PROXIES

The cost of soliciting proxies will be borne by the Company. Solicitation of proxies from some stockholders of the Company may be made by personal interview, mail, telephone or telegram by the directors, officers and regular employees of the Company or subsidiaries. The Company also will request brokerage houses, custodians, nominees and fiduciaries to forward the proxy material and annual report of shareholders to the beneficial owners of the stock held of record by such persons and will reimburse them, upon request, for reasonable expenses incurred in connection therewith.

By order of the Board of Directors,

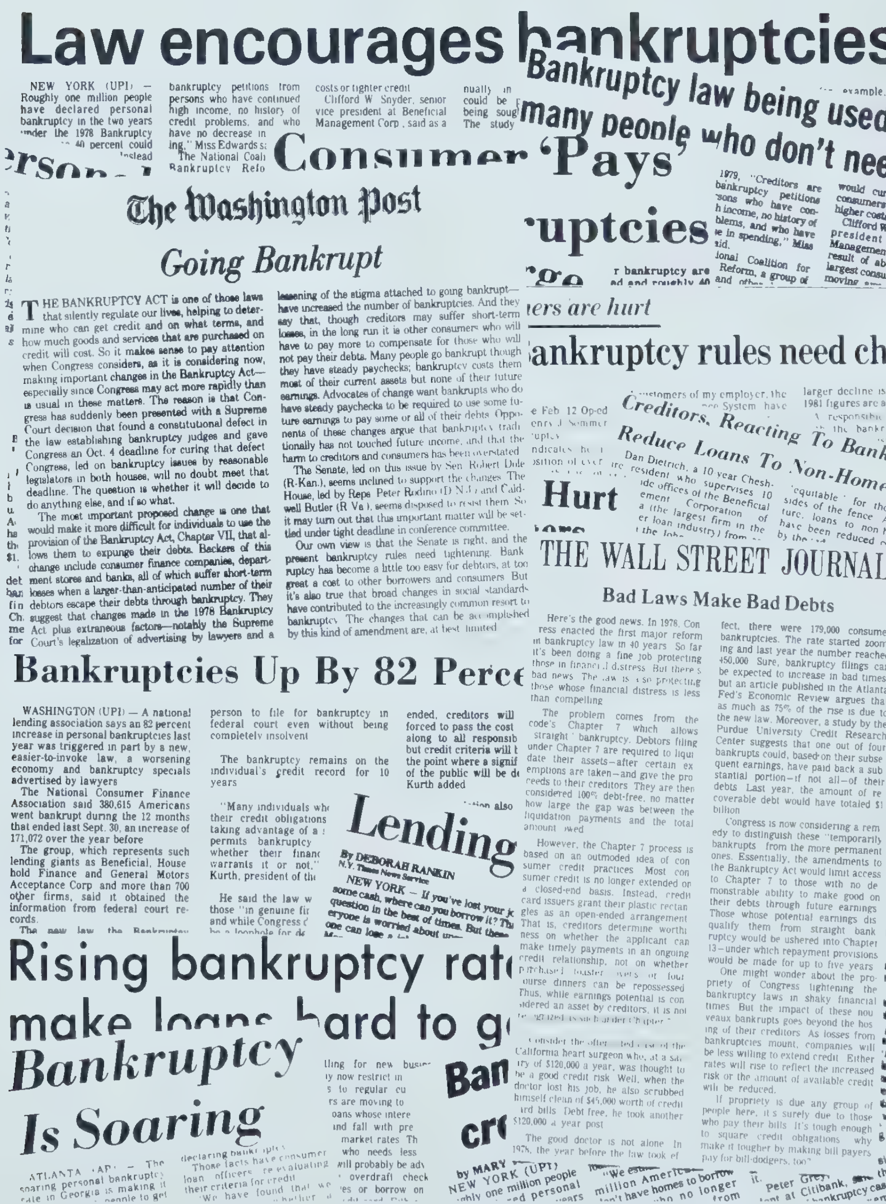
KENNETH J. KIRCHER
Vice President and Secretary

AR31

Beneficial Corporation

Interim Report to Shareholders

2 Six Months Ended June 30, 1982



(in millions)	Three Months Ended June 30 1982	1981	% Change	Six Months Ended June 30 1982	1981	% Change
Consolidated						
Income From Continuing Operations	**$ 16.1**	$ 14.8	8.8	**$ 34.6**	$ 30.0	15.3
Loss From Discontinued Operations	**—**	(1.3)		**—**	(4.0)	
Net Income	**16.1**	13.5	19.3	**34.6**	26.0	33.1
Earnings Per Common Share						
Continuing Operations	**.54**	.47	14.9	**1.17**	.96	21.9
Discontinued Operations	**—**	(.06)		**—**	(.18)	
Net Income	**.54**	.41	31.7	**1.17**	.78	50.0
Dividends Per Common Share	**.50**	.50	—	**1.00**	1.00	—
Shareholders' Equity at End of Period*				**997.7**	1,072.4	(7.0)
Finance Division						
Revenue	**359.2**	346.2	3.8	**725.6**	683.5	6.2
Net Income	**27.3**	16.8	62.5	**56.6**	34.2	65.5
Principal of Finance Receivables**				**4,228.3**	4,413.6	(4.2)
Number of Accounts**				**2.1**	2.9	(27.6)
Average Account Balance**				**$1,995**	$ 1,541	29.5
Reserve for Credit Losses as % of Principal of Finance Receivables**				**4.42%**	4.42%	
Savings and Loan Division						
Revenue	**62.7**	55.3	13.4	**$ 119.4**	$ 100.0	19.4
Net Income (Loss)	**(8.9)**	(3.0)		**(19.9)**	(4.3)	
Merchandising Division						
Net Sales and Other Revenue	**157.8**	173.6	(9.1)	**312.7**	328.2	(4.7)
Net Income	**1.9**	4.4	(56.8)	**6.2**	6.6	(6.1)

*Includes Redeemable Preferred Stock.
**At end of period.

We are pleased to report another quarter of increased earnings for Beneficial Corporation. Second quarter earnings from continuing operations (including First Texas) advanced 8.8% to $16.1 million from $14.8 million in the second quarter of 1981. Comparable earnings per share increased to $0.54 from $0.47 a year earlier. For the first half, earnings from continuing operations climbed 15.3% to $34.6 million from $30.0 million in the 1981 period, while earnings per share rose 21.9% to $1.17 from $0.96. Earnings from continuing operations exclude the results of Spiegel, Inc., which was sold in 1981. On a net income basis, including Spiegel's results in 1981 totals, profits increased 19.3% in the second quarter and 33.1% in the first half.

After the close of the second quarter, Beneficial announced the signing of a preliminary agreement for the sale of its savings and loan subsidiary, First Texas Financial Corporation (see below). First Texas' losses totaled nearly $20 million ($0.90 per share) in the first half of this year.

Second quarter Finance Division earnings showed another excellent comparison, increasing 62.5% to $27.3 million from $16.8 million in the comparable 1981 period. Consumer Finance Group (CFG) profitability continued to recover strongly, with earnings climbing to $16.5 million from a depressed $3.3 million in the second quarter of 1981. However, second quarter Insurance Group earnings declined, falling to $14.3 million from $16.5 million in last year's second quarter reflecting lesser insurance penetration on the CFG's larger real estate secured loans.

For the first half, Finance Division earnings increased 65.5% to $56.6 million as Consumer Finance Group profits more than tripled, offsetting a 1.9% decline in Insurance Group earnings.

Improved operating efficiency and wider lending spreads are driving the sharp recovery in Consumer Finance Group profitability. 1981's aggressive program of office closings, employee reductions and other cost cutting measures continued through the first half as Beneficial prunes its office network to an optimum configuration. Indicative of these moves, the ratio of CFG operating expenses (all expenses except interest and the provision for credit losses) to average net receivables declined to 4.00% in the first half of 1982 from 4.54% in the 1981 period. Similarly, CFG lending spreads improved as interest rates declined. For the half, the ratio of CFG spread income (total revenues minus interest expense) to average net receivables widened to 6.46% from 6.23% in the first half of 1981.

It should be noted that Beneficial has significantly reduced the proportion of short-term debt in its funding base. Total short-term debt was reduced to $346.2 million at June 30 from $1.04 billion at December 31, 1981. Over the same six month period, domestic short-term debt fell to $177.0 million from $857.8 million. At June 30, short-term debt represented 8.7% of total borrowings compared to 23.7% at the end of 1981. As a matter of corporate policy, Beneficial intends to maintain only a relatively small proportion of short-term debt in total borrowings.

Indicative of the poor economy, consumer loan demand remained weak in the second quarter. Reflecting this factor, as well as Beneficial's continuing strategy to contract unsecured outstandings, the receivable portfolio declined $57.8 million during the quarter and $217.5 million for the first half. However, real estate secured loans, our key market, increased slightly in the quarter to total $2.10 billion at June 30, or 50.0% of total receivables, up from 45.8% of the portfolio at the end of 1981.

Unfortunately, the overly-liberal Bankruptcy Act, high unemployment and the generally poor economy continue to generate relatively high chargeoff levels. For the first half, net chargeoffs were 1.20% of average receivables compared to 0.98% of mean receivables in the first half of 1981. However, delinquency showed modest year-to-year improvement. At June 30, loan balances more than two months delinquent were 1.66% of loan receivables, down from 1.71% a year earlier. Overall delinquency (including all delinquency measures) recorded more significant improvement over last year but was moderately higher than at March 31, 1982.

Merchandising Division earnings, represented by Western Auto and its subsidiaries, fell to $1.9 million from $4.4 million in the second quarter of 1981 as sales trends weakened noticeably. For the first half, Merchandising Division net income fell to $6.2 million (including $3.0 million in special, non-operating gains reported in the first quarter) from $6.6 million in 1981, on a 4.7% decline in net sales and other revenue.

As expected, First Texas Financial Corporation modestly reduced its loss from the first quarter level. First Texas contributed an $8.9 million net loss to Beneficial's results in the second quarter, much worse than the year ago deficit of $3.0 million but somewhat improved from the $11.0 million net loss in this year's first quarter. For the first half, First Texas contributed a $19.9 million net loss to Beneficial compared to a loss of only $4.3 million in the first half of 1981.

On August 2, Beneficial announced that it had entered into an agreement in principle for the sale of First Texas to a group of individual Texas investors. The sale is expected to result in an aftertax loss on disposal of approximately $66.0 million, or $3.00 per share. The transaction is subject to negotiation of a definitive acquisition agreement, approval by the Beneficial Corporation Board of Directors, and securing necessary regulatory approvals. It is expected that the sale will be completed during the fourth quarter of 1982.

Disposal of First Texas will remove a substantial profit drain from Beneficial's business portfolio. Moreover, the vigorous recovery of Finance Division earning power in the first half is gratifying and encouraging.

Finn M. W. Caspersen
Chairman of the Board
Chief Executive Officer

Gerald L. Holm
Vice Chairman of the Board

Robert A. Tucker
Office of the President
Chief Financial Officer

August 19, 1982

Update

Bankruptcy reform urged

Revision of the Bankruptcy Act of 1978 passed by the Senate Judiciary Committee (SB-2000), now stalled by the House Judiciary Committee, would restore credit to Americans who need it most. The current law discounts future income as a means of paying debts. It caused the number of bankruptcies to reach epidemic proportions. In 1979, the Act's effective date, over 197,000 people filed for personal bankruptcy, increasing 59% in 1980, and reaching nearly half a million in 1981. A 1981 Purdue University study indicated 40% of these people could afford to pay all or part of their obligations.

Beneficial, having experienced over $100 million in bankruptcy losses, joined lenders in moving away from making unsecured loans to focus on second mortgage loans. Creditors, suffering an estimated $6 billion in unpaid bills, have been forced to effectively shut off credit to Americans who most need it: primarily renters, singles, minorities and young marrieds.

Addressing the issue of bankruptcy abuses, the Purdue study showed $1.6 billion annually in defaulted debt could be paid if Senate Bill reforms are enacted. The National Coalition for Bankruptcy Reform, a group of 285 banks and other lenders, with editorial support of the Wall Street Journal, the Washington Post (cover) and other opinion leaders, is working to advance this Bill through the House where floor support would be sufficient for passage. The Bill has not yet been reported out of the House Judiciary Committee. To encourage the House to act quickly, you are urged to write your Congressman.

Until reforms are enacted, lenders must continue to forfeit millions of dollars each year in losses and withhold credit from borrowers without substantial collateral.

Sale of First Texas announced

In August, Beneficial announced agreement in principle for the sale of First Texas Financial Corporation. The subsidiary's sale should free Beneficial from an industry plagued by high borrowing costs and government regulation. Beneficial chairman Finn M. W. Caspersen indicated continued confidence in the management of First Texas and in its current strategic plans toward long-term profitability. The company wanted shareholders to have the benefit of the earnings strength of the rest of its divisions in the near term. The transaction is subject to securing necessary regulatory approvals and should be completed within three to four months. The sale of First Texas is expected to create a one-time, nonrecurring charge to 1982 earnings of approximately $3.00 per share.

(in millions) June 30	1982	1981
Assets		
Cash (includes compensating balances of $27.9 and $31.0)	$ 38.6	$ 29.8
Finance Receivables (Note 4)	4,626.6	4,896.8
Less Unearned Finance Charges	(398.3)	(483.2)
Principal of Finance Receivables	4,228.3	4,413.6
Less: Reserve for Credit Losses	(187.1)	(195.0)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(127.8)	(146.4)
Net Finance Receivables	3,913.4	4,072.2
Net Receivables Acquired from Merchandising Division	103.8	138.1
Investments (Note 5)	1,180.3	1,057.3
Equity in Net Assets of Non-Consolidated Subsidiaries		
Savings and Loan Division (Page 12)	87.3	123.9
Merchandising Division (Page 13)	201.6	195.0
Other	5.0	6.7
	293.9	325.6
Investments in and Advances to Discontinued Operations (Note 3)	32.2	185.1
Property and Equipment (at cost, less accumulated depreciation of $31.6 and $35.6)	105.6	169.2
Other Assets	337.3	341.1
Total	$6,005.1	$6,318.4
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 6)		
U.S. Currency	$ 177.0	$ 863.7
Foreign Currencies	169.2	137.0
	346.2	1,000.7
Deposits Payable (Including Employee Thrift Deposits)	204.1	174.3
Accounts Payable and Accrued Liabilities	336.5	292.1
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	505.8	450.2
Long-Term Debt (Note 7)	3,614.8	3,328.7
Total Liabilities	5,007.4	5,246.0
Redeemable Preferred Stock	125.0	125.0
Other Preferred Stock	116.2	116.4
Common Stock (60.0 shares authorized, 22.2 shares issued and outstanding)	22.2	22.2
Additional Paid-in Capital	62.3	62.2
Net Unrealized Loss on Equity Securities	(24.2)	(20.7)
Accumulated Foreign Currency Translation Adjustments (Note 2)	(10.9)	—
Retained Earnings	707.1	767.3
Total	$6,005.1	$6,318.4

See Notes to Financial Statements.

(in millions)	Three Months Ended June 30 1982	Three Months Ended June 30 1981	Six Months Ended June 30 1982	Six Months Ended June 30 1981
Finance Division				
Revenue	$359.2	$346.2	$725.6	$683.5
Expenses				
Interest (Note 9)	111.9	107.4	223.8	211.4
Salaries and Employee Benefits	47.1	53.3	97.7	106.6
Provision for Credit Losses (less recoveries)	25.5	21.4	45.3	43.1
Insurance Benefits Provided	75.2	69.9	149.8	133.4
Other	58.7	62.6	120.7	129.4
Total	318.4	314.6	637.3	623.9
Operating Income	40.8	31.6	88.3	59.6
Foreign Exchange Gain (Loss)(Note 2)	—	(1.7)	—	(2.6)
Income Before Income Taxes	40.8	29.9	88.3	57.0
Provision for Income Taxes (Note 8)	13.5	13.1	31.7	22.8
Income From Finance Division	27.3	16.8	56.6	34.2
Income (Loss) From Savings and Loan Division	(8.9)	(3.0)	(19.9)	(4.3)
Income From Merchandising Division	1.9	4.4	6.2	6.6
Interest Expense, After Income Taxes, Related to Investment in Non-Consolidated Subsidiaries (Note 9)	(4.2)	(3.4)	(8.3)	(6.5)
Income From Continuing Operations	16.1	14.8	34.6	30.0
Discontinued Operations, After Income Taxes (Note 3)				
Income (Loss)	—	.3	—	(.8)
Interest Expense Related to Investment	—	(1.6)	—	(3.2)
	—	(1.3)	—	(4.0)
Net Income	$ 16.1	$ 13.5	$ 34.6	$ 26.0
Earnings Per Common Share				
Continuing Operations	$ .54	$ .47	$ 1.17	$ .96
Discontinued Operations	—	(.06)	—	(.18)
Net Income	$ .54	$ .41	$ 1.17	$ .78
Average Outstanding Shares	22.3	22.3	22.3	22.3
Dividends Per Common Share	$ .50	$ .50	$ 1.00	$ 1.00

See Notes to Financial Statements.

Statement of Changes in Financial Position

(in millions)	Three Months Ended June 30 1982	Three Months Ended June 30 1981	Six Months Ended June 30 1982	Six Months Ended June 30 1981
Source of Funds				
Operations				
Income from Continuing Operations	$ 16.1	$ 14.8	$ 34.6	$ 30.0
Non-Cash Charges (Credits) to Income				
Provision for Credit Losses (before recoveries)	29.5	24.9	53.1	49.4
Increase in Unpaid Expenses	10.5	14.3	10.3	25.0
Increase in Insurance Reserves	5.7	29.3	11.4	39.1
Depreciation, Amortization, and Other	7.9	6.3	16.2	12.4
Unrealized Foreign Exchange Loss	—	1.4	—	2.3
Provision for Deferred Income Taxes	4.7	9.7	15.0	5.6
Undistributed Net Loss (Income) of Non-Consolidated Subsidiaries	6.9	(1.3)	13.6	(2.3)
Funds Provided by Continuing Operations	81.3	99.4	154.2	161.5
Decrease (Increase) in Investments in and Advances to Discontinued Operations	8.3	(30.5)	70.7	(24.8)
Proceeds from Sale of Property	134.4	—	134.4	—
Long-Term Debt Issued	205.8	34.6	363.4	128.0
Increase in Deposits Payable (Including Employee Thrift Deposits)	4.0	.7	21.1	12.6
Other-Net	48.3	(10.3)	26.5	11.1
	$482.1	$ 93.9	$770.3	$288.4
Application of Funds				
Increase (Decrease) in Principal of Finance Receivables (before charge-offs)	$ (1.4)	$230.0	$(92.5)	$254.6
Increase (Decrease) in Net Receivables Acquired from Merchandising Division	(28.7)	4.8	(19.8)	19.8
Increase in Investments (at carrying amount)	51.9	44.2	75.9	42.1
Additions to Property and Equipment	33.4	22.8	47.6	43.0
Investment in Savings and Loan Division	—	18.6	—	18.6
Decrease (Increase) in Short-Term Debt	398.3	(327.1)	696.9	(257.6)
Decrease (Increase) in Accounts Payable	(36.4)	(4.0)	(52.4)	21.9
Long-Term Debt Paid	50.3	89.9	84.0	115.5
Dividends on Capital Stock				
Preferred	3.7	3.8	8.6	8.6
Common	11.0	10.9	22.0	21.9
	$482.1	$ 93.9	$770.3	$288.4

See Notes to Financial Statements.

Notes to Financial Statements
(amounts in millions)

1. *Financial Statement Presentation and Consolidation*

The financial statements presented herein, prepared from the books and records of the companies, reflect all adjustments which, in the opinion of management, are necessary for a fair presentation.

The consolidated financial statements include, after intercompany eliminations, the accounts of all significant subsidiaries except those comprising the Savings and Loan Division and the Merchandising Division, which are included on the equity method, and discontinued operations.

Certain prior year amounts have been reclassified to conform with the 1982 presentation.

2. *Change in Accounting Principle*

Beginning January 1, 1982 the Company has elected to comply with Financial Accounting Standard No. 52, Foreign Currency Translation. Under the standard the effects on Beneficial of translating foreign currency financial statements into the reporting currency are no longer included in net income but are included in the balance sheet as a separate component of shareholders' equity. The accounting change increased net income by $10.9 ($.49 per share) for the six months ended June 30, 1982. Financial statements for prior periods have not been restated.

3. *Discontinued Operations*

On August 31, 1981 the Company agreed to sell the stock of its wholly-owned subsidiary, Spiegel, Inc., and recorded a loss on disposal. The transaction was completed on January 6, 1982. For the six months ended June 30, 1981, the loss from discontinued operations of $ .8, after an income tax benefit of $ .9, and the interest expense of $3.2 related to the Company's investment in Spiegel were reclassified to discontinued operations.

Under the terms of the agreement, the stock of Fairfax Family Fund, Inc., a wholly-owned subsidiary of Spiegel, was transferred by means of a dividend to Beneficial Corporation on December 31, 1981. As management has decided to liquidate Fairfax, whose activities since August 31, 1981 are limited to collection of outstanding receivables, Fairfax has been accounted for as discontinued operations since August 31, 1981.

The Company's investments in and advances to Fairfax and Spiegel are shown in the balance sheet at net realizable value.

4. *Finance Receivables*

The Principal of Finance Receivables is as follows:

June 30	**1982**	1981
Real Estate Secured Loans	**$2,101.2**	$1,809.6
Other Loans	**1,548.3**	2,039.7
Sales Finance Contracts	**187.4**	274.4
Bank Credit Card Receivables	**130.3**	85.5
Lease and Commercial Finance Receivables	**261.1**	204.4
Total Principal of Finance Receivables	**$4,228.3**	$4,413.6

5. *Investments*

Investments are principally Insurance Group long-term investments. The carrying amount is as follows:

June 30	**1982**	1981
Debt Securities		
Municipal Bonds	**$ 314.5**	$ 311.3
Other	**736.4**	636.1
Total	**1,050.9**	947.4
Equity Securities	**114.2**	100.4
Other	**15.2**	9.5
Total Investments	**$1,180.3**	$1,057.3
Market Value	**$ 993.6**	$ 898.3

(continued)

Notes to Financial Statements *(continued)*

(amounts in millions)

6. Short-Term Debt

June 30	1982	1981
Banks	**$ 161.3**	$ 143.6
Commercial Paper	**188.3**	863.8
Total Short-Term Notes	**349.6**	1,007.4
Unamortized Discount	**(3.4)**	(6.7)
Total Short-Term Debt	**$ 346.2**	$1,000.7

The average actual interest rate for Short-Term Notes for the six months ended June 30 was:

	1982	1981
U.S. dollar borrowings	**14.95%**	17.43%
Foreign currency borrowings	**16.33**	12.23
Overall	**15.29**	16.52

Long-Term Debt

Long-Term Debt outstanding, of which 89.1% and 87.5% of the total is payable in U.S. currency, matures as follows:

June 30	1982	1981
1981	**$ —**	$ 47.4
1982	**48.0**	89.2
1983	**268.0**	215.4
1984	**573.4**	544.3
1985	**347.9**	284.0
1986	**297.4**	224.1
1987	**604.1**	388.6
1988-2007	**1,589.2**	1,556.7
Total	**3,728.0**	3,349.7
Unamortized Discount	**(113.2)**	(21.0)
Total Long-Term Debt	**$3,614.8**	$3,328.7
Weighted Average Annual Interest Rate on Debt Outstanding at End of Period	**10.02%**	9.36%

8. U.S. and Foreign Taxes on Income

The effective U.S. and foreign tax rates on Finance Division income before income taxes for the six months ended June 30 of 31.4% for 1982 and 36.2% for 1981 are lower than the expected tax rate of 46% principally because the income of the Insurance Group is taxed at a lower effective rate.

9. Interest Expense

For the six months ended June 30, 1982 and 1981 the total amount of interest cost incurred was $246.9 and $234.4. Interest cost capitalized on office buildings constructed for the Company's own use was $7.8 and $5.0 for the six months ended June 30, 1982 and 1981.

Notes to Financial Statements *(concluded)*
(amounts in millions)

Interest expense related to the investment in the Insurance Group and to the investments in Savings and Loan Division, Merchandising Division and discontinued operations is removed from interest expense of the Consumer Finance Group (page 10) and is shown, net of taxes, as separate items for the six months ended June 30 as follows:

	1982	1981
Net Income		
Finance Division		
Consumer Finance Group	**$ 33.3**	$ 9.0
Insurance Group	**30.4**	31.0
Interest Expense, After Income Taxes, Related to Investment in Insurance Group	**(7.1)**	(5.8)
Income From Finance Division	**56.6**	34.2
Income (Loss) From Savings and Loan Division	**(19.9)**	(4.3)
Income From Merchandising Division	**6.2**	6.6
Interest Expense, After Income Taxes, Related to Investment in Non-Consolidated Subsidiaries	**(8.3)**	(6.5)
Income From Continuing Operations	**34.6**	30.0
Discontinued Operations, After Income Taxes		
Income (Loss)	—	(.8)
Interest Expense Related to Investment	—	(3.2)
	—	(4.0)
Net Income	**$ 34.6**	$ 26.0

10. Proposed Sale of Subsidiary

The Company has entered into an agreement in principle for the sale of its wholly-owned Savings and Loan Division to unaffiliated third parties. The Company anticipates that the transaction will result in a loss, after taxes, of approximately $66 million, to be charged against 1982 earnings.

Completion of the transaction, scheduled for the fourth quarter of 1982, is subject to negotiation of a definitive agreement and requisite corporate and government approvals.

(in millions)	Three Months Ended June 30 1982	Three Months Ended June 30 1981	Six Months Ended June 30 1982	Six Months Ended June 30 1981
Net Finance Revenue				
Finance Charges and Fees	$232.7	$225.0	$ 470.9	$ 447.7
Interest Expense	104.6	101.5	209.6	199.9
Gross Margin	128.1	123.5	261.3	247.8
Other Revenue	12.3	11.4	25.4	25.4
Total	140.4	134.9	286.7	273.2
Operating Expenses				
Salaries and Employee Benefits	43.6	50.6	90.9	101.4
Provision for Credit Losses (less recoveries)	25.5	21.4	45.3	43.1
Advertising	2.7	3.9	4.8	11.0
Depreciation	2.7	2.8	5.1	5.5
Postage and Express	2.4	3.0	4.9	5.8
Printing and Stationery	2.3	3.3	4.7	5.9
Rent	7.5	7.9	15.6	15.3
Telephone	4.5	5.0	9.2	10.2
Travel	2.2	3.2	5.2	7.5
Other	17.7	17.5	37.0	36.6
Total Operating Expenses	111.1	118.6	222.7	242.3
Operating Income	29.3	16.3	64.0	30.9
Provision for Income Taxes	12.8	8.3	30.7	15.1
Income Before Foreign Exchange Gain (Loss)	16.5	8.0	33.3	15.8
Foreign Exchange Gain (Loss), After Income Taxes	—	(4.7)	—	(6.8)
Net Income	$ 16.5	$ 3.3	$ 33.3	$ 9.0

Supplemental Information

During The Period				
New Funds Lent to Customers	$451.8	$705.2	$ 759.1	$1,195.7
Principal of Finance Receivables Purchased	27.5	57.3	33.2	89.5
Finance Receivables Charged Off (less recoveries)	28.0	20.2	54.9	42.8
Annual Percentage Rate of Finance Charges and Fees Collected	20.97%	20.36%	21.22%	20.42%
At End of Period				
Number of Consumer Finance Offices			1,530	2,143

(in millions)	Three Months Ended June 30 1982	Three Months Ended June 30 1981	Six Months Ended June 30 1982	Six Months Ended June 30 1981
Revenue				
Premiums Earned	$ 89.8	$ 86.6	$ 183.3	$ 165.9
Investment Income (net)	23.6	21.0	45.9	39.6
Other Income	2.5	2.8	5.0	6.3
Total	115.9	110.4	234.2	211.8
Benefits and Expenses				
Policy Benefits	75.2	69.9	149.8	133.4
Commissions and Brokerage	14.8	16.4	32.1	31.2
Salaries and Employee Benefits	3.6	2.6	6.8	5.1
Decrease (Increase) in Unamortized Policy Acquisition Costs	(.5)	(2.9)	(.7)	(3.9)
Licenses and Taxes	1.2	1.3	2.9	3.0
Other Expenses	3.9	3.3	6.7	5.7
Total	98.2	90.6	197.6	174.5
Income Before Income Taxes	17.7	19.8	36.6	37.3
Provision for Income Taxes	3.8	3.9	7.2	7.9
Income Before Foreign Exchange Gain (Loss)	13.9	15.9	29.4	29.4
Foreign Exchange Gain (Loss), After Income Taxes	—	(.5)	—	(.7)
Income Before Realized Net Investment Gains	13.9	15.4	29.4	28.7
Realized Net Investment Gains	.4	1.1	1.0	2.3
Net Income	$ 14.3	$ 16.5	$ 30.4	$ 31.0

Supplemental Information

	Three Months 1982	Three Months 1981	Six Months 1982	Six Months 1981
During the Period				
Premiums Written	$100.9	$121.9	$ 192.4	$ 218.9
Ratio of Premiums Written to Shareholder's Equity (annualized)	.97	1.26	.93	1.13
At End of Period				
Investments*			$ 986.7	$ 909.7
Unamortized Policy Acquisition Costs			70.0	64.3
Total Assets*			1,199.5	1,102.3
Insurance Policy and Claim Reserves			633.7	596.4
Shareholder's Equity*			414.2	387.6
Life Insurance in Force			6,972.0	7,114.6

*Excludes investments in non-insurance subsidiaries.

(in millions)	Three Months Ended June 30 1982	Three Months Ended June 30 1981	Six Months Ended June 30 1982	Six Months Ended June 30 1981
Interest Revenue				
Loans	$ 54.5	$ 49.9	$ 105.9	$ 89.7
Investment Securities	6.6	4.2	11.5	8.0
	61.1	54.1	117.4	97.7
Interest Expense				
Savings Accounts	49.0	44.8	98.1	79.3
Borrowed Funds	14.5	8.2	26.8	13.3
	63.5	53.0	124.9	92.6
Gross Margin	(2.4)	1.1	(7.5)	5.1
Other Revenue	1.6	1.2	2.0	2.3
Total	(.8)	2.3	(5.5)	7.4
Operating Expenses				
Provision for Losses	.6	.1	.7	.2
Salaries and Employee Benefits	4.5	3.9	9.2	7.4
Other	7.0	5.8	13.4	10.4
Total	12.1	9.8	23.3	18.0
Income (Loss) Before Income Taxes	(12.9)	(7.5)	(28.8)	(10.6)
Provision for Income Taxes	(4.0)	(4.5)	(8.9)	(6.3)
Net Income (Loss)	$ (8.9)	$ (3.0)	$ (19.9)	$ (4.3)

Supplemental Information

During the Period				
Loans Acquired	$ 99.3	$ 75.9	$ 163.0	$ 144.0
Rate on Loans Acquired	17.10%	14.98%	17.15%	14.60%
At End of Period				
Investment Securities			$ 185.3	$ 155.9
Loans Receivable, Net			1,870.1	1,793.6
Rate on Loan Portfolio			10.83%	10.31%
Total Assets			$2,273.8	$2,115.8
Cost of Savings			12.47%	11.48%
Overall Cost of Funds			12.71	11.71
Shareholder's Equity			$ 87.3	$ 123.9

Note—On June 30, 1982, effective as of January 1, 1982, the Savings and Loan Division reflected the effect of purchase accounting adjustments previously recorded on the books of its parent, Beneficial Corporation. Prior period amounts have been restated to reflect this change.

(in millions)	Three Months Ended June 30 1982	Three Months Ended June 30 1981	Six Months Ended June 30 1982	Six Months Ended June 30 1981
Net Sales and Other Revenue	$157.8	$173.6	$312.7	$328.2
Expenses				
Cost of Goods Sold (including certain buying and occupancy expenses)	125.0	137.2	252.2	262.2
Selling and Administrative	28.3	27.3	52.5	51.1
Interest	.8	1.0	1.7	2.3
Gain on Sale of Real Estate	—	—	(2.7)	—
Total	154.1	165.5	303.7	315.6
Income Before Income Taxes and Extraordinary Item	3.7	8.1	9.0	12.6
Provision for Income Taxes	1.8	3.7	3.8	6.0
Income Before Extraordinary Item	1.9	4.4	5.2	6.6
Gain on Repurchase of Debentures, After Income Taxes of $1.0	—	—	1.0	—
Net Income	$ 1.9	$ 4.4	$ 6.2	$ 6.6

Supplemental Information

At End of Period	1982	1981
Receivables, Net of Unearned Finance Charges	$163.0	$150.7
Allowance for Doubtful Accounts	14.9	14.5
Inventories	136.8	152.7
Total Assets	357.1	368.8
Shareholder's Equity	201.6	195.0

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Beneficial Corporation®

Beneficial Corporation, through its subsidiaries, provides a broad range of financial and consumer services.